S. HRG. 113–391

CLOSING THE WEALTH GAP: EMPOWERING MINORITY-OWNED BUSINESSES TO REACH THEIR FULL POTENTIAL FOR GROWTH AND JOB CREATION

ROUNDTABLE

BEFORE THE

COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP UNITED STATES SENATE

ONE HUNDRED THIRTEENTH CONGRESS

FIRST SESSION

SEPTEMBER 18, 2013

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Available via the World Wide Web: http://www.fdsys.gov

U.S. GOVERNMENT PRINTING OFFICE

88–039 PDF WASHINGTON : 2014

For sale by the Superintendent of Documents, U.S. Government Printing Office
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CLOSING THE WEALTH GAP: EMPOWERING MINORITY-OWNED BUSINESSES TO REACH THEIR FULL POTENTIAL FOR GROWTH AND JOB CREATION

WEDNESDAY, SEPTEMBER 18, 2013

UNITED STATES SENATE,
COMMITTEE ON SMALL BUSINESS
AND ENTREPRENEURSHIP,
Washington, DC.

The committee met, pursuant to notice, at 10:04 a.m., in Room 428, Russell Senate Office Building, Hon. Mary L. Landrieu (Chair of the Committee) presiding.

Senators Present: Landrieu.

Representatives Present: Lee and Richmond.

OPENING STATEMENT OF HON. MARY L. LANDRIEU, CHAIR, AND A U.S. SENATOR FROM LOUISIANA

Chair LANDRIEU. Good morning, everyone. Welcome to our fourth annual gathering in this room, and today it is an official roundtable so I am very pleased to host a roundtable on empowering america to reach its full economic potential by closing the wealth gap: I think a very serious challenge to our Nation.

I want to acknowledge that several Members of Congress may be stopping by the hearing. I know that Cedric Richmond, Congressman from Louisiana, will be stopping in. And of course, the annual CBC conference is taking place today through Saturday, so there are a lot of members that are doing work here on the Hill.

But this is the fourth year that our Small Business Committee has used this particular week as an opportunity to focus on one of the most significant challenges, I think, before America and that is the wealth gap between majority and minority. And more importantly than focusing on the gap is focusing on solutions to close that, not by pulling people at the top down but by lifting up those on the bottom and mostly because it is important for American economic competitiveness.

Fifty years ago America engaged in a war on poverty. During the last 50 years, our Nation has made great strides in a number of areas affecting economic opportunity. Education gaps have been closed. Income gaps have been closed. There are more people of all races graduating from colleges. Income levels have risen.

This is good news. We should be proud of this. But despite some of these obvious achievements, the data tells us that this progress

is, for some reason, not necessarily translated into accumulated wealth—and that is what we are going to focus on today.

This Committee is the Small Business and Entrepreneurship Committee. We take the entrepreneurship of this title very seriously, knowing that entrepreneurship is a core American value. It also is a great strategy and tool to create wealth, jobs, and economic power.

So, in that context we are looking at a wealth gap that, in fact, has become wider, not narrower, between white and minority communities in the last three decades, when this data was first collected. This is very troubling.

Closing the wealth gap is a challenge we must meet for America to compete effectively in the 21st century global economy. We need all of Americans, not two-thirds, not half, on the field competing as workers, as entrepreneurs, as business leaders, as corporate leaders to make this economy as strong as it can be in our capitalistic system.

Last September this Committee held a roundtable that examined this wealth gap, the reality of it, the details of it; and I would call your attention to this chart which you have before you which is very troubling.

You can see that in 1983 the accumulated wealth of all white or Caucasian families in America was $81,000. The accumulated wealth of African-American families in 1983 was $6,012 and in the accumulated wealth of Hispanic families was $8,250. It is a pretty wide gap, but more troubling is that "X" number of years later, you know 50, 40, 30 something years later, that now has changed. For Caucasian families, it has gone up from $81,000 to $110,000, which is good news that wealth is speculating. However, with African-American families, it has only slightly increased to $6,314; and for Hispanic families, it has actually fallen to $7,683 from $8,250.

So what this gap signals to me and to this Committee is that there are potentially some strategies that either the private sector, the nonprofit sector, or the government sector at the local, state, and federal level could pursue more effectively and aggressively to close this wealth gap and to basically give all Americans a true opportunity to get on the economic playing field.

We cannot really compete effectively with countries like China and India, that have many times more population than we have, without all of our people engaging in full economic capacity and access to wealth. Earning wealth and using wealth to build not only the strength of individual families, but of communities and cities, is very important to the economic growth of the country.

So, that is what our roundtable is going to explore today. A recent Urban Institute report finds that the wealth gap measured the difference in wealth cumulated by majority and minorities, unfortunately, is the largest that it has ever been since the Federal Reserve started tracking it 30 years ago.

So, now that we have acknowledged this challenge and our Committee has tried, even though it is a relatively small committee—not as robustly staffed as some of the larger Committees here on Capitol Hill—we have taken a particular interest in this and we have looked at the areas that merge with the jurisdiction of this

Committee: capital accumulation, access to capital, access to opportunities for business growth and expansion.

What are some of the ideas that seem to be working out there in the local and state governments that we could potentially cast some good light on and what are we doing wrong; what is the government doing wrong; what is the private sector not doing correctly in regard to solving this wealth gap issue and why isn't the wealth gap decreasing? The income gap is closing, high school completion rates gap is closing, the gap in college graduation rates is closing, but the wealth gap seems to be widening?

So, that is what I am going to challenge the panelist today to talk about.

We have your bios. Of course, we know who you are. We invited you to come; but for the purposes of this discussion, introduce yourself, talk a minute about why this area is of interest to you or what aspects you and your team have been tackling; and then we are just going to open it up to some very general, informal conversation and questions.

So, when you want to speak after that, you just put your placard up faced to me. I will go through a series of questions. It is very informal but the great thing is all of this is on the record, and we are going to be building a record and taking a lot of ideas from people all over the country on this important subject and hopefully transmitting some of this to the other Committees, whether it is Finance or Commerce or the White House itself, on some of the things that we are finding.

And, let me also mention that after our three roundtables previously, our staff has issued a wealth gap report which brings in all of the information that our Committee has received on this, acknowledging that it is real. This is not something that we have made up. It is from the census data collaborated by many think tanks, liberals, moderates, and conservatives.

The solutions to fixing it are very interesting and diverse but that is what this panel is hopefully going to explore, things that you know in your own fields are working or other comments that you might have.

So, Doctor, let us start with you and we will be releasing this report today.

Ms. MCKERNAN. I am Signe-Mary McKernan from the Urban Institute.

Chair LANDRIEU. And you have to speak, kind of lean into your mic or pull the mic as close to you as you can so that the reporter can pick this up.

Ms. MCKERNAN. Signe-Mary McKernan from the Urban Institute.

Chair Landrieu, thank you for the opportunity to be here today to talk about closing the racial wealth gap. When it comes to economic gaps between whites and families of color in the United States, income inequality only tells part of the story. Urban Institute research shows that the racial wealth gap is three times larger than the racial income gap.

Wealth is where economic opportunity lies. Wealth is not just money in the bank. It is insurance against tough times. It is tuition to get a better education and a better job, capital to build a small

business, savings to retire on, and a springboard into the middle class.

Urban Institute analyses of wealth accumulation over the life cycle show that the wealth gap grows sharply with age. When people are in their 30s and 40s, whites have about three and a half times more wealth than people of color; but by the time they reach their 60s, the peak of their wealth building years, that gap has doubled. So, African-American and Hispanic families are not on the same wealth building pass as white families.

Chair LANDRIEU. We are going to come back to your testimony.

Ms. MCKERNAN. Okay.

Chair LANDRIEU. This is just brief introductory remarks. You will get plenty of time to include that in. But thank you.

Ms. MCKERNAN. Okay.

Doctor.

Mr. KOCHHAR. Thank you, Senator. Good morning, everyone. My name is Rakesh Kochhar. I am with the Pew Research Center. The Pew Research Center does not take a position on policy issues. So, whatever I have to say will focus on evidence.

I work within the Pew Research Center on the Hispanic Trends project where we focus on the outcome, the economic outcomes of racial and ethnic groups, bringing context to the change that Hispanics are bringing to the United States, the racial and ethnic dynamics of income and demographics and so on.

Chair LANDRIEU. Thank you very much. The Pew research has been very pivotal in our examination of this issue and we thank Pew for its data that you have provided.

Ms. Powell.

Ms. POWELL. Good morning, everyone, and thank you, Senator, for hosting this roundtable discussion. My name is Toya Powell, V.P. of Operations with the U.S. Black Chambers. We support 112 chambers across the country in 24 states and 240,000 businesses.

We do that through five pillars of service: advocacy, access to capital, contracting, entrepreneur training, and chamber development. One of the things that I would like to highlight that is a primary barrier to entry for business expansion growth is access to capital; and to kick off the 43rd Annual Legislative Conference this week, the Congressional Black Caucus Foundation made a $5 million investment in five African American-owned banks and that is in partnership with the National Bankers Association, the U.S. Black Chambers, Inc., and the Congressional Black Caucus Foundation.

We believe that this major investment is historical in that it will set the pace for other individuals to follow our lead. Thank you.

Chair LANDRIEU. Okay.

Ms. Hasegawa.

Ms. HASEGAWA. Good morning, everybody. Lisa Hasegawa from the National Coalition for Asian Pacific American Community Development. We were founded about 13 years ago and we are based here in Washington, D.C.

We have a network of about 100 community-based organizations and community development corporations that focus on the needs of low income Asian Americans and Pacific Islanders around the country. We are in about 28 states across the country including

Louisiana, so looking forward to talking to you more about that and what is going on with a lot of the Asian American small businesses in New Orleans.

We just recently came out with an Asian American and Pacific Islander poverty report. I think a lot of folks are not talking about poverty, and particularly for Asian Americans and Pacific Islanders there is a perception that we are doing much better than everyone else, et cetera, and so I am going to be presenting more information later about that.

Chair LANDRIEU. Let me just make a note. The reason we do not have the Asian population here is because it was not tracked in the first year which was 1983. But we do have the data for 2000 and we do want to talk about that because it is actually higher than Caucasian wealth and we want to talk about that but we will do that as we go through.

Ms. HASEGAWA. Right.

Chair LANDRIEU. Ms. Hurley.

Ms. HURLEY. Good morning, Madam Chair and other panelists and Committee members. My name is Zenita Wickham Hurley. I am the Special Secretary for the Governor's Office of Minority Affairs for the State of Maryland, GOMA as we call ourselves.

We are a cabinet-level agency that advises the governor of Maryland on issues affecting small and disadvantaged businesses. One of our biggest responsibilities is administering the State's minority business enterprise program. That is a program that has been in place for over 30 years and we just raised our goal to 29 percent.

We have had a lot of success in seeing growth in the program; and because of our long history of having a very progressive program, I think we are widely regarded as a national leader among states and minority business inclusion; and much of what we focus on of late is growing and developing MBEs into prime contractors, training MBEs on administrative skills so that they are ready for, they can build the capacity necessary to take on bigger contracts and grow wealth; and I look forward to sharing more of my experiences with the Committee in the discussion today.

Chair LANDRIEU. Thank you very much.

Mr. Hairston.

Mr. HAIRSTON. Good morning, Chair Landrieu, and thank you for inviting the Small Business Administration to participate in our discussion today. I am Darryl Hairston. I am the Associate Administrator for Business Development at SBA where I oversee the 8(a) business development program. That program is a program designed to assist disadvantaged business owners gain access to the economic mainstream.

Minority communities work were especially hard hit during the economic downturn. There are growing disparities in assets, education, and experience which has had a negative impact on entrepreneurship rates and small business success; and I am pleased to be here today to discuss that.

There are two recent studies that SBA will be submitting for the record that look at the competitive disadvantages that minority-owned firms suffer when competing for Federal Government contracts.

One is by Dr. Jon Wainwright and another is by the U.S. Department of Commerce, and both studies demonstrate the continuing need for programs like the 8(a) program. Thank you.

Chair LANDRIEU. Thank you. Dr. Taylor.

Ms. TAYLOR. Good morning, Senator. Thank you for inviting me and it is good to be back again. I participated in the roundtable on Bridging the Skill Gap for high-skilled American workforce, and it is interesting that it is very closely tied to the wealth gap as well.

For those that, I apologize, that do not know me, my name is Dr. Shree Taylor. I am a business owner. Our firm was established in 2006. It is totally woman owned. We are also a part of the 8(a) program.

Delta Decisions of D.C. has a focus on analytics. In closing the wealth gap and also in trying to find and maintain high-skilled workers, what we find is that the pool of these applicants is very small. And so, a few of my areas that I really advocate for is not only resources and access to capital but also education.

There are programs in the lower grade school levels and also in the high school level that introduce students to entrepreneurship at a very young age; and those programs are instrumental and very key in changing the dynamics of our society.

Chair LANDRIEU. Thank you, Dr. Taylor

Ms. Major.

Ms. MAJOR. Good morning. My name is Barbara Major, and I and lead organizer with the group from New Orleans called The Collaborative, and I want to thank you, Senator Landrieu, and your staff for the invitation.

We were organized to ensure that of the $3 billion in New Orleans to be spent in the next three to five years that the African-American community small businesses have access to it.

But there are also some things that we are concerned about in terms of updating, looking at SBA policies and seeing where we could correct those policies, coming up with some creativity ways that we can ensure access, particularly access to capital.

And, one of the things that we know for sure is that very few things in this country are race and gender neutral; but when it comes to responding to historical neglect and lack of access, you have got to be race and gender neutral.

We know that if we could have a legally defensible disparities study, then maybe we could look at how we could create some race specific programs that can be funded within the SBA. And so, there are some things we have done creatively working with both our city leadership, our mayor, and our city council to come up with a strong DBE policy.

However, we also understand that DBE does not mean African-American so like a lot of the programs that have been targeted to disadvantaged communities disproportionately benefit white women, particularly when I look at DBE programs.

So, we have to look at how we can become more specific in policy and practice and how we really look at how we continue to fund an SBA program. As far as we can see, it continues to benefit banks. If you loan to a bank and our businesses cannot get a loan from a bank, if it is SBA money, they tell us quick you are not going to get the SBA money either.

So, how do we look at community financial institutions more?

Chair LANDRIEU. Thank you.

Ms. Evans.

Ms. EVANS. Good morning and thank you, Chair Landrieu and members of the Committee, for allowing me to be a part of this roundtable. I am Connie Evans, president and CEO of the Association for Enterprise Opportunity. AEO is the national trade association for U.S. micro-business and micro finance.

We view entrepreneurship, particularly micro business, as a way to generate income and assets as a means of closing the widening wealth gap. In fact, a micro-business which is defined as having fewer than five employees, we found through our research that when individuals partake in micro-business or business ownership, our research shows that the median net worth of business owners is two and a half times that of non-business owners. For a black woman, the difference is more than 10 times. For a Latino man, the difference is five times.

Now of course, there are barriers but our 450 member organizations and partners are working to solve that problem. We recently launched a strategy that links diverse stakeholders to mobilize capital and to channel technology and other resources on behalf of Main Street micro and solo businesses.

So, I am looking forward to having an opportunity to discuss with you and others in the room today that particular solution and how all stakeholders can really play in solving this particular problem of the wealth gap.

Chair LANDRIEU. Thank you, Ms. Evans. That sounds very exciting. Thank you so much.

Ms. Balwani.

Ms. BALWANI. Yes. Good morning. Thank you.

Chair LANDRIEU. Good morning.

Ms. BALWANI. It is an honor and privilege to be here today. I am Anisa Balwani. I am the owner of a small business, RCI Technologies, Incorporated. We are headquartered in Iselin, New Jersey, with branch offices in Maryland and in Texas. We provide information technology professional services nationwide to major corporations and government agencies.

We have been in business for almost 30 years and I am looking forward to add value to our discussion. It is twofold for me. Myself I am passionate, of course, about my business but I am also very passionate about helping others start up and minority and women-owned businesses.

I serve on many women's board organizations such as Women's Business Enterprise National Council and the New Jersey Association of women business owners. I am on the board of trustees there.

So, I do have other people who are concerned and I myself as a small business owner, you know, sometimes cannot sleep at night paying payroll. So, I would like to share my experience. I know you have a great data here but I myself am here to tell you it is tough, right now in the economic climate that we are in and the competition is fierce for small business owners.

Chair LANDRIEU. Thank you. We are going to really look forward to your prospective.

Mr. Allis.

Mr. ALLIS. Good morning, Senator. Thank you very much for having me here. It is very exciting. I am honored to be amongst you and this wonderful crowd of very special people.

My name is Kevin Allis. I am a tribal member of the Forest County Potawatomi Community in Wisconsin. I am the son of a mother who grew up on an Indian reservation in a one-room log cabin with a dirt floor and have intimately been involved in Indian country for all of my life.

I am the chairman of the board of my tribe's business development corporation which is the economic development arm of our tribe that is designed to generate growth and capacity and provide resources to a community that is growing and becoming more vibrant.

I also serve as the Executive Director for the Native American Contractors Association which is responsible for representing the interests of all Native Americans and tribes in the lower 48, Alaska Native Corporations, and Native Hawaiian organizations.

I, like the Asian community, notice that our name did not show up on some of the charts but I recognize, you know, some of the things that you spoke to. I would say that the people in the back would not see any of the stuff that would be on there anyway.

Some of the Native communities are still some of the poorest and most depressed communities in the world, and they exist right here in the lower 48 and some of our villages in Alaska are extremely remote.

So, I am very excited to speak to this group and to you about some of the things that our tribe is doing, some of the things that NACA is doing to not only help the Native American community but also work with some of the other minority groups to grow small business as a whole.

Chair LANDRIEU. Wonderful. And let me just for the record be clear and particularly Mr. Allis, you can help and then I am going to recognize a Congresswoman who came in for brief remarks. I do not know how long this wonderful Congresswoman is going to be able to stay with us.

But just to make sure the staff prepares this, the data on Asian Americans is here in front of me and it is $89,339 as of 2011. So, the 110 number, the $6,314, the $7,683 correlates to the $89,339 for Asians. So, we are going to have some questions about this.

In other words, the gap between white and Asians is much less than it is between African-Americans and Hispanics, and we want to hear some details or comments about that. And, I want to ask the staff why we do not have the Native American numbers on here? Is it that we do not have them? Does anybody know?

Ms. CAMPBELL. Senator, They did not collect net worth.

Chair LANDRIEU. Okay. There was no net worth collected for Native Americans. Does the Pew Research have something on this that you could add before we get started?

Mr. KOCHHAR. The problem is sample size. These are surveys that only survey so many people; and when you get down to very small populations, and that includes Asian Americans who are about five percent of the U.S. population. So, within a survey, you

get a very small number of people and it is typically hard to get to reliable data on certain subgroups.

Chair LANDRIEU. Ms. Hasegawa, go ahead.

Ms. HASEGAWA. But I think that can be changed. My background actually is in health research and there is a lot of methodologies around over sampling so if there is some planning in the beginning around, you know, that you really want to get data about particular smaller minority populations, you can do that.

We deal with this all the time also because I think that for Asian Americans when you look at it in the aggregate, it all looks like we are healthier, wealthier, wiser than everyone else, and everyone owns Yahoo.

So, but I think that that is not, does not to tell the full picture. So, I would also say for the Asian American population do not look at it in the aggregate alone. We have to look at it because we are bimodal, and the folks who are doing really well sort of really overshadow what has been happening on the lower income side.

Chair LANDRIEU. We are going to depend on you to provide some accurate data with Pew on this and some strategies for getting this data, because when I start to solve a problem it is really important to actually identify what the problem really is before you start throwing solutions at it.

So, I think we have got some gap in our research here. And, Mr. Allis, would you do the same to help us with the Native American community and could you comment just briefly on where we could get better data on the economics of some of the tribes and some of their situations in the lower 48 as well as Alaska?

Mr. ALLIS. Certainly. There are several organizations out there that we work with, sister organizations like the National Congress of American Indians, the National Indian Gaming Association, the National Center for American Indian Enterprise Development that we do have information that can be helpful.

I mean it is hard and I understand the difficulty in gathering accurate information especially for Indian country because our communities often are in the middle of nowhere. A lot of these people do not have a whole lot of methods of communication, transportation; and so, you know, they are isolated and sometimes it becomes a difficult problem.

Chair LANDRIEU. Well, we are going to depend on you to help us to try to identify that and bring it into focus as much as we can.

Let me now turn to introductions for the Congresswoman. Thank her for coming and open to your remarks.

Representative JACKSON LEE. Thank you. Good morning, everyone. I am Congresswoman Sheila Jackson Lee, a neighbor to Senator Landrieu in Houston, Texas; and I serve on a number of Committees in the House. The House Judiciary Committee and Homeland Security, which was born after the tragedy, the horrific tragedy of 911.

But in the context of those Committees, I would tell you that on the Judiciary Committee, we are constantly looking at issues dealing with the infringement of the rights of Americans and the protection of the rights of Americans.

One of those involves intellectual property and the genius that comes much from small businesses. On the Homeland Security, I

would say that it is the largest department next to the defense department and procures a lot.

We have spent a long number of times working to ensure that the process of procurement under Homeland Security is fair and open to small and minority businesses.

I join Senator Landrieu because you could not have a better champion for the idea of small businesses. I am reminded of the tragedy of Hurricane Katrina. Besides trying to help the State of Louisiana as she did and did it superbly, she was dogged about the idea of Louisianans and those who had been devastated helping to rebuild their State.

Now, I notice that Mr. Hairston mentioned the $400 billion in procurement by the Federal Government. I would almost think that it is $400 billion and growing. But I will say that in order to make this work and as I look at those numbers they are stark and, Lisa, I know you will discern for us the differences among the Asian population from Vietnamese to Chinese. I think they put Indian Americans and Indo-Americans and Pakistani and others in that group.

But one of the places, Senator Landrieu, that I hope that we could work more extensively on the General Services Administration. They are the purchasers; and I will say that although there are certainly good workers and committed servants, public servants there, the toughest time that I have had for small businesses is the General Services Administration.

And, their sensitivity to not only purchases but also construction, maintenance of our buildings, they are the ones that build everything we have from courthouses to otherwise; and you will find among the minority populations as you will find is that they can do that. They can do a lot of that work. You just have to put the pause button on to work with them.

So, I came today, we are right now in the middle of a classified briefing on the Judiciary and so please accept my apologies but I really wanted to come to, one, thank all of you for the data that I think is going to be enormously important.

As Senator Landrieu fights for this whole concept of embracing small businesses, she is being reaffirmed. This morning we met with the head of Dell Corporation, and he said that the churning of America's economy is in small and medium-size businesses. I like to say small minority-owned businesses and women-owned businesses that is churning this economy. So, she is on the right track.

And, if I might just add and additional moment, Senator, as we met with the head of the OMB for the President this morning as well is that we in Washington, Senator Landrieu is looking to make the government thrive, grow, invest. We are not looking to sequester and withdraw and restraint. We are looking to be efficient.

And, it is through the work of Senator Landrieu that really focuses on investment in people, investment in this country and I hope that those of you as small business leaders and others will understand our opposition to something called sequester so that we can continue to invest in this Nation and churned the economy.

I think this is a very important hearing and count me as a collaborator on the House side in the ways that we can collaborate

and work together to build the economy on the most important aspect of it and that is small, minority, and women-owned businesses.

So, thank you for allowing me to sit in for just a moment.

Chair LANDRIEU. Thank you, Congresswoman. We really appreciate your comments. We intend in this Committee to try our best to build support both in the House and in the Senate and among the Democratic and Republican parties for solutions to help make the American economy stronger which benefits everyone, and that is the spirit in which we start this roundtable this morning. So, thank you, and I understand if you have to slip out.

Let us start our discussion, and I am going to throw in the first question to Dr. McKernan to talk again about what your research is showing about why, although we are making a lot of progress, it seems in income, closing the gap, graduation rates, and home ownership, you know, the gap is narrowing.

Why is this not the case for the wealth gap, in your opinion, and are there two or three particularly obvious root problems that you think this Committee or other policy makers in Washington should be focused on?

And, I want that question for everyone. I am going to start with the doctor and then if you all have comments or if she says something that you agree or disagree with, please speak up. This is very informal and all you have to do is raise your placard and I will try to get you in the order in which you raise your placard.

Dr. McKernan.

Ms. MCKERNAN. Thank you. So, I think that there are three key reasons that wealth inequality is not improving. First is that wealth disparities are passed from generation to generation.

African-American and Hispanic families start out behind. They are five times less likely to receive a large gift or inheritance than a white family, and these are dollars that can be used for important investments such as in a small business. This country has a history of discrimination and the low wealth resulting from it is still being passed from generation to generation.

Second, today's skewed federal subsidies exacerbate the disparity in wealth holdings and the racial wealth gap. The Federal Government spends billions of dollars annually through the mortgage interest deduction and through preferential tax treatment of retirement savings and because these subsidies go through the tax code, they primarily benefit high income families, leaving out African-American and Hispanic families who have lower incomes. And third, African-American and Hispanic families are less likely to be in automatic savings vehicles such as homes and retirement accounts.

So, reforming wealth building policies so that they benefit all families and helping families enroll in an automatic savings vehicles will help improve wealth inequality and promote savings opportunities for all Americans.

My specific suggestions then would be to make home ownership subsidies more equitable; homes can be used to borrow against for a small business. Promote automatic retirement savings; half of Americans do not have access to an employer-provided retirement account.

And then, reauthorize the assets for independence program. This is the primary source of funding for individual development accounts, which are personal accounts directed toward low income households to help them save for investments in a small business, education, and also in homes. They do that by matching earned income deposits and by providing other program supports.

Chair LANDRIEU. Thank you very much.

It is in testing to hear about IDAs. The Clinton Administration was very forward leaning on this as well as a group that I belong to, the DLC, the Democratic Leadership Council.

Senator Lieberman used to be a big champion of that idea here in the Senate. So, it is good to hear it again and it is a strategy that, if funded, could work but it has just waned in support for any number of reasons. We have a lot of pressures on the budget which are obvious and real.

But, thank you for raising that.

Ms. Evans, anything you want to add?

Ms. EVANS. Yes. Of course, I would definitely support the notion of savings and developing assets. It is critical through all portions of one's life. The reason I think it is so critical is because we have found that because of the starting low wealth of individuals, it literally is serving as a main barrier for them being able to access the capital and services they need to go into business ownership.

If people do not have collateral and assets, unfortunately they are not able to access not only capital but some of the business services that one needs to actually be successful in managing your business.

What we think has to happen, of course, is we need to change the risk models. We have seen that with his recent recession and the problems in the housing where people who use their homes as the main way of equity for business capital, that has been decimated. And so, this low-level starting position puts them behind even further than they were already.

Banks do not have to look at these entrepreneurs as so high risk. Unfortunately, they are operating under what we would call really, you know, 18th century almost business models, totally outside what is necessary to actually consider these loans.

We recommend changing the way capital and services flow to these entrepreneurs. TILT Forward, one of our new programs, is using technology that is world-class. AEO has partnered with one of the top leading technology firms in the financial services industry. A private-sector, venture-backed firm that has partnered and licensed with AEO to bring their world-class technology to the community lending field.

So, the community development lenders through our TILT Forward program now have an opportunity to operate lending programs that create wider distribution. We are able to offer a working capital loan up to $250,000 with no collateral pledge. It is an unsecured loan. And, we have an underwriting system that is proprietary to on-deck capital.

A couple of the features that allow that to happen is that daily repayments are made; and so again, it is an issue of getting people willing to be innovative in changing the risk model.

Chair LANDRIEU. Now, where is this happening, Ms. Evans? It is very interesting. Where is this happening, the physical location?

Ms. EVANS. We launched this program last October in St. Louis, Missouri. We are in the process of building out a national distribution system so that anyone across the country, rural or urban communities, will be able to actually access a loan via a platform or through working with any of our community development financial institutions and micro lenders around the country.

Chair LANDRIEU. Thank you. I am going to get others for comments, Ms. Major, but let me ask a question. Are you funding this with private capital or a combination of private capital and some public investment?

Ms. EVANS. Thank you. One of the good things about this TILT Forward product is that the whole system. We are also trying to change what we realize how capital is mobilized. There are many programs that you and the Administration have worked really hard to move capital out.

The problem is not just moving capital though. The system is broken; and so, many of the programs where capital is sitting in state programs, there is no capacity on the ground from the community lenders or the banks or anyone else to get that capital into the hands.

So, what we have also done with TILT Forward is to create a special purpose vehicle called the American Dream Fund that will aggregate capital from government, from private sources, from foundations and philanthropic sources, and then make that capital available as low-cost, fairly priced capital to entrepreneurs. But just as importantly, low-cost capital to these community-based lenders.

Chair LANDRIEU. Love this idea. Mr. Hairston, I want you to comment on this. This is very interesting, and what would you say as the director of a small business about this idea? And have you heard of it before?

Mr. HAIRSTON. I think it is an excellent risk model. Over the past couple of years, our Office of Capital Access has been looking at a number of models. In that process, they have taken on the task of reengineering several of our loan programs to try to make capital more accessible to the under served communities.

And particularly, our working capital lending programs have been revamped to make them more available and more attractive to our lending partners. Of course, we created our Community Advantage Program, which is a very similar concept geared toward providing lending in our under served communities.

But I think Ms. Major made a very good point in her remarks when she indicated that our lending is primarily through banks; and of course, that is exacerbated by the other circumstances where we have seen where with the economic downturn where we have lost equity in the primary assets, the minority community took the largest hit in terms of equity losses in the housing area. Over my years of experience at SBA in a variety of different roles, our small businesses are more dependent on personal savings and equity in their home.

If I could just make a point going back to the 8(a) program, in a recent report—we prepare an annual report to Congress on the

8(a) program and we look at new entrants in the 8(a) program and one of the tests for getting into the 8(a) program is economic disadvantage.

We aggregate that data annually. In looking at that data, when we determine economic advantage, we exclude the equity in the primary residence and we exclude the equity of business owners in their business.

And, looking at it on average after those exclusions, the average net worth of firms approved for the 8(a) program is about $58,000 which means that these are companies that have been in business and have been operating and we look beyond that the average net worth or the median net worth for firms that we approve before excluding that is around the $146,000.

So, that means that they are bootstrapped when they come into the program in terms of being able to take the next step and move the company forward.

So, I think the idea about the lending model and taking another look at how we look at risk in that respect is not a bad idea.

Ms. EVANS. Chairman, may I follow-up?

Chair LANDRIEU. Yes. Go ahead, Ms. Evans.

Ms. EVANS. I just want to follow-up on that. In talking about the banks, every day banks in this country decline 8000 small business loans. We could get banks to participate on our TILT Forward platform with some encouragement perhaps from the Small Business, from the Congress, from the Senator's office, because what we can do, we project already that, if you take the declinations from banks currently that on this platform we could finance 20 to 30 percent of those loan turn-downs by banks within 48 hours.

We project that we could finance another 30 percent within four to six weeks by working with our community-based lenders, and we anticipate that we could finance out of the balance probably about 70 percent of those within 12 months by working with mentors and coaching services, et cetera, within our network.

And so again, there is an opportunity here to actually make some changes if we could all get people to come together, get the stakeholders to work together.

Chair LANDRIEU. Ms. Evans, that is exactly what this roundtable is and I cannot thank you enough for your enthusiasm and your passion; and what I loved about what you said was that you are not lowering the risk, you are just changing the risk dynamic.

It is not making the loans riskier; that is not what I heard because we cannot do that, but it is changing the risk paradigm to make them in some ways, you could argue, almost more secure, different than what it is.

And we hear, believe me. I work very closely with community banks as everyone knows, and credit unions, but I cannot tell you how many small business owners have sat around this table over the last four years and said they have been turned down time and time again from banks because they do not fit that routine risk model.

And, if we want to get this economy out of a routine sluggishness, and we need to change the way we are doing things. To get to an extraordinary economy, we need extraordinary actions that are safe but secure.

Ms. Major.

Ms. MAJOR. Yes. One of the things too, Senator, is what we learned was how federal dollars come through the state even when they are meant for people on the ground.

At our state level, we do not have a DBE mandate. So, money hits our state and there is no mandate. $2 billion was spent to rebuild schools in New Orleans. $1.2 billion has already been spent. Not one percent went to small business.

So, we have had to organize all over again to make sure that the school system then puts its own DBE policy. But if federal laws followed those dollars until they hit in the hands of the city, it would make a big difference.

A disparity study is needed because it is not just, I mean let us be real, it is not just about risk. It is also about race. So, we need a disparity study and that disparity study needs to be updated so that we can really embed some race-specific programs.

One of the things that we have had to do and as only as we have a model. I chaired the Regional Transit Authority of New Orleans, and what I did was a disparity study at the authority that say why are not small businesses getting contracts?

And so, you have always got to prove what you already know so we have to do a study to prove that they knew that they were not getting it. So, what we did was set up a small business office. You have got to put your money where your mouth is.

We set up a small business office in the Regional Transit Authority. Then we removed, I took all the money out of one bank because nobody again looks at community investment of bank policies. I looked at that. Took all the money out of a national bank and put in my local bank.

I have gone back to the local banks and said, okay, now let us play. You use the contracts to my small business owners, my DBEs as collateral to give them some working capital so that they can participate in contracting because they do not have capacity.

The one thing about risk is the CDFIs are probably the most accessible for our community because CDFIs, I mean the reality is that our people are not as bankable, this language that is used.

So, I think SBA also needs to go back and look at its mission because we can keep setting up CDFIs and all these outside entities. But how does this federal institution become what I think it was in the spirit it was created to be.

So, if its mission really is to serve small business, then the reality is that we have to look at the histories of denial of access for small businesses.

So, create internally I think like when we look at the risk, look at CDFIs. The SBA could do a CDFI with a program like I am doing at the Regional Transit Authority. So, I am not pushing that they do it actually Sewage and Water Board, that they do it at, the city is doing it but they do it anywhere else they have.

Where is your money going? So, what we have had to do, it is just so much work that the community has to do. Now, we are asking our city leadership, where is the city banking and how is that bank playing with the community?

Is it playing fair? If it is not playing fair, you need to take your money out or you need to go back to them and say this is the way we need to do this.

So, even those of us, I mean, you can do so much, but there are some things that we can do on the ground as well but the one thing for me is to make sure that dollars coming States like Louisiana maintain the mandate for DBEs because other than that we get absolutely nothing, absolutely nothing.

Chair LANDRIEU. Very good point.

Ms. Hurley.

Ms. HURLEY. Yes. Thank you. I wanted to echo Ms. Major's point about the importance of disparity studies and race conscious, public contracting programs, because in Maryland for a number of years now, every five years, we do a disparity study and the value of having that statistically significant evidence of a disparity for the businesses owned by racial minorities in your jurisdiction I just cannot say. It has really allowed us to do some really progress of things.

I think someone mentioned the how do you deal with the fact that your program may cover a lot of different minority groups but you identify certain groups are suffering much worse than others.

And, one of the things that Maryland has done a few years ago is really expand what we call our subgoal policy; and so we break our government contracting into different industry groups like construction, construction-related services, A and E.

And, within those groups, we have chosen the top three most disadvantaged groups and given them subgoals, recognizing that in many categories we may see, for example, African-Americans are getting much fewer contracts than others or Hispanic Americans or Asian-American, depending on the different industry.

And, while it is difficult for our leadership to put some groups at a place of advantage seemingly against their peers, we recognize that we have to be really targeted.

Otherwise if you just kind of throw it out there and hope that it will disperse and you will achieve parity in the way that you have availability in a community, if you cross your fingers, that has not worked.

And so, while it is something that is new for us, we are certainly starting to track of that data and see what impact it has. But our disparity study shows significant disparities in our community and we have had a program for over 30 years.

And so, we know that our businesses tell anecdotally while our participation Maryland contracting is going there is still suffering discrimination. They are still facing hurdles of access to capital; and this data that we have, this big 600-page tome that cost us over $1 million.

And so, you need to have leadership that says this is important in shrinking budgets to pay this money to get this evidence so you can have robust programming.

Chair LANDRIEU. Excellent.

Now, Ms. Balwani, did you want to speak because you had your placard up and I did not want to not call on you.

Ms. BALWANI. Yes. I wanted to add the comment to Ms. Evans. I believe this program is great but I strongly feel that the education is not there to small business owners. The awareness is not

there, but the more awareness that we can provide to the small business owners and especially start up companies, they are really getting discouraged.

I have spoken to so many people who say, to your note that if I do not have my parents who are going to give me money to start up a small business, there is no way I can get a loan these days.

So, your program sounds like it is fantastic and the message needs to resonate there, you know, into this entrepreneurship level.

Chair LANDRIEU. So, what do you tell people that come to talk with you if they say, "I would love to start a business. I have got a great idea or I think I have a great product but I cannot—my parents are not in a position to lend me the money, I do not have any equity in my home." What do you tell them?

Ms. BALWANI. I personally have asked them to go to the SBA because I do believe that SBA has a very good solid program. I am a graduate from the 8(a) program, that my company was an 8(a) program, and I worked very closely with my district office in Newark. And, the SCORE counselors, they really sit down and help with the paperwork.

So, that is my first guidance to a person who is asking for my advice because sometimes I believe the commercial lenders do not have the time to really sit through and coach a startup business and they definitely do not want to take that risk.

Chair LANDRIEU. Well, interestingly enough this Committee, the majority of members of this Committee have been trying without success to convince the minority members that investing in SCORE is an important thing to do. So, hopefully your voices can be raised.

SCORE is the not-for-profit, private, entrepreneurial mentors. There are 350 chapters for free that exist all over the country. Taxpayers are getting a phenomenal deal.

We invest only $7 million of federal funds. That is it. On 350 chapters that work for free. These are volunteers but you have to have some money to organize them.

We have yet to convince—hello, Mr. Congressman—we have yet to convince the minority members who are not here to represent their views. But if they were, I would give them the time to step that funding up to $20 million so that we could expand the SCORE chapters because I think you have said exactly, the banks are not only reluctant, they have new regulations. They might not be aware, and they do not have the time to counsel small business owners.

It is really not their job if you think about it. I mean, their job is to lend money and to make money, and I am not underestimating the help that bankers can be when you come in. I have borrowed money from a bank before and gotten good advice from my banker.

But it is not like sitting down with a business owner that has built and sold multiple businesses, to say this is what you should do, this is how you should do it, et cetera.

So, that is just one small step but I think it would be an important step to expand this volunteer network of entrepreneur mentorship in the country. Some of it is being done for profit, perfect. Some of it is being done nonprofit. Some of it is being subsidized a little bit by the federal taxpayer but for great benefit.

And, I am very happy to see that you yourself were beneficiaries of something that this Committee has strongly supported along with the SBA programs. But it still does get back to Ms. Evans and Ms. Major's comments that even with that help, some of the capital is not finding its way to the communities to access that economic power that is there. And, that really is a problem for America.

Now, I am going to recognize everybody with a placard up. I want to ask the Congressman because I know his time is short. We just had Congresswoman Sheila Jackson Lee come by and give some brief remarks.

But as you know, this panel, Cedric, is focused on the wealth gap and what a drag this is on the American economy because if communities—African American communities, Hispanic, Asian, Native American—had equal opportunities, the whole economy would be stronger.

But we are happy to have any introductory remarks and then I am going to get back to the questioning at hand. But thank you so much for coming on a very busy week.

Representative RICHMOND. Well, let me just start with thanking the Senator for her effort, and she has been steadfast in representing and advocating the importance of investing in disadvantage businesses, small businesses, low income communities to make sure that, one, living in Louisiana we see it every day and living in New Orleans we have seen the good and the bad, and first-hand we can see the impact it has when everyone participates in the economic system.

And, what you see when it does not happen is that it manifests itself in other areas, in education, in crime, and all of those things. So, as we talk about crime in the city of New Orleans and other metropolitan areas, you have to talk economic development and you have to talk about minority participation in businesses because they go hand in hand.

And, I am a product of a family that had a small business with an electrical contracting firm but watching them work and do what they did made a lot of sense. And, if you think about it now and I go back and think about my childhood, as we reenter 15,000 people into the population out of incarceration in Louisiana each year, the question becomes who is going to hire them. And, small businesses more often than not are the ones that will give them a chance.

As my parents employed people, I do not remember them ever running a background check or not hiring someone because they were an ex-offender. They interviewed them. If they had a good feeling about them, they gave them an opportunity.

And, now with so many people coming home, we have to figure out ways to give them opportunities; and this area is a prime way to give them an entry into the legitimate workforce.

And, it is our obligation as government, I believe, to make sure that we give those small businesses every opportunity to succeed. So, that means technical assistance. That means capital. That means everything we can do; and sometimes it is going to mean preference and that is just what it is.

But the domino effect and the spin off when we do that will pay dividends that you cannot measure in all types of ways.

So, I just want to thank the Senator for again doing this because it is so very important and I am so happy that she is over here doing it because in the body I serve in, I do not see us doing as much as we need to be doing in order to achieve it.

But I think that if it is not obvious yet it will be obvious to the American people that some people ought to just not be governing.

Chair LANDRIEU. Thank you. Dr. Taylor, we will acknowledge you and then Mr. Allis.

Ms. TAYLOR. Okay. I just wanted to echo what Ms. Balwani was speaking about. After the money makes it to the community, let us make the assumption that it does get into the hands where it needs to be. Then we are faced with having entrepreneurs that have not been properly educated on what to do with those funds or how to run a business or how to hire the right workforce.

Having programs in place in schools that teach financial literacy is essential; it needs to be taught whether you have the goal of becoming an entrepreneur or not because your credit starts there.

In a lot of cases, there is the misconception that no credit is okay. No credit equals bad credit. But that is not obvious to a lot of the communities that we represent, and we should make sure that our communities have that understanding.

Also, there are programs to teach about entrepreneurship for those students that show an interest and there are so many creative young people who do not fit comfortably into a traditional environmental or educational system.

What I mean by that is that they go through the school system and they do not do so well but they are extremely talented and there is no other outlet in the community to take their talents and nurture them.

So, I am a huge advocate of the Network for Teaching Entrepreneurship (NFTE) and also the Jump$tart Coalition which I know about; I am also a mother at a Title I school in Virginia. For those who are not quite familiar with Title I schools, these schools have been designated as schools with families that have a high number of poverty or low income families.

When I go into my school and I am serving on the PTA, it is primarily Hispanic and African-American students in the schools and I talk to the teachers and the principal and they have not even heard of these programs.

So, what do you do in that case? They get funding but they are not necessarily sure on what to do so there needs to be more marketing, if you will, and education on the resources that are out there. Therefore, the answer in this case is not only to make sure that the capital gets into the hands but to also make sure that the community is properly educated.

Chair LANDRIEU. Thank you, Ms. Taylor, for sharing that and it really hit a chord with me. When I was State Treasurer, I started the first "bank-at-school" program in Louisiana for exactly that purpose—for the third graders. I worked with bankers and the CPAs, and the principals and teachers association to literally go into dozens of schools and help students in third grade understand what a bank account is.

Many of these families were unbankable. That is the term, but they had just not had any relationship with the bank; and then the

kids would come home and explain to the parents what a savings and a checking account was. We did it on a shoestring. There are programs that I am aware of that are being done all over the country in small scale and I am aware that this is a subject that members of Congress have been talking about, both parties, about this financial literacy piece.

So, I am glad you raised it. This Committee has some jurisdiction over that, but it is an important part of our, you know, of maybe one of these solutions and it really should under the Department of Education to be pushing out opportunities to use those Title I dollars which we are very familiar with. We get a lot of those in Louisiana because we are a relatively poor state.

But you are right. There is flexibility in Title II and in Title I, dollars that could be used for programs like this but people do not know about it. So, thank you for making that.

I am going to get you, Lisa.

Ms. HASEGAWA. You can call me Ms. Lisa.

[Laughter.]

Well, two points. I definitely want to talk about the data issues but just to continue on with what has been discussed around the capacity for targeted technical assistance to minority and low income communities and small businesses.

So, we are a national HUD housing counseling intermediary; and before three years ago, there was not such an intermediary to really deal with housing counseling for Asian Americans and Pacific Islanders and native Hawaiians who were really being hit by the foreclosure crisis.

So, there is a lot of capacity at the National Urban League, National Council of La Raza and a lot of housing counseling and community-based organizations across the country that now have capacity around financial literacy and financial coaching.

And so, a lot of us are having this conversation of how do we transition that technical knowledge that is specific now right to foreclosure to actually a broader effort that is really about economic recovery and it is infrastructure and capacity that currently exists in minority communities.

So, I feel like financial education is necessary but not sufficient. It is really important but I think that there needs to be infrastructure. There needs to be national community-based, nonprofit, small business technical assistance infrastructure.

So, there are programs at the SBA, at MBDA. But a lot of those funds actually go to local governments; and again there are the same barriers though. And, I think that nonprofit organizations particularly who have long track records and trust with communities of color, I think are really good partners.

And, right now the way that SBA and MBDA programs are structured, those opportunities are not there. So, the infrastructure to do that capacity building, technical assistance, and coaching, et cetera, that is specifically grounded in communities of color really I think is not there but I do not think it would take rocket science.

Chair LANDRIEU. I am going to get Mr. Allis.

Thank you for making that point, and I want to underscore this and make sure the staff has noted it. It is a very interesting idea that the capacity over the last five years in the country to address

this home ownership crisis, and the recession of falling home ownership, is we are sort of coming almost to the end of that and we hope the end, but that network is out there.

And, with a little bit of tweaking particularly by the Small Business, this could really come from a great suggestion from the SBA, you could turn that network from its focus on housing stability, which is important and still a need, but to this financial literacy and connecting, Ms. Evans, the capital that is in the community with a little bit of tweaking.

So, let us explore that very positive idea because it is not building a new mousetrap. It is using what is there and just tweaking it.

And I was reminded by my staff to say for the record that Senator Enzi and Senator Risch, who are not here, Senator Risch is my ranking, do support score. And the opposition is coming from House Republican leadership. Do not ask me.

It is a volunteer organization. It is a private, not government, entity. They do not support it. We cannot get it passed. So, we are going to keep pushing but it is not coming, I have been, told by the opposition of the Republicans on this Committee. It is the House Republicans.

Mr. Allis.

Mr. ALLIS. Thank you, Senator. I just want to highlight the importance and I know you recognize and the Congressman does the importance of minority-conscious federal programs that help minority businesses often in rural areas and specific to Indian country it is rural.

And, really, you know, from our voices and our concern it's making sure that these programs, their value is recognized and it is protected. That some of the attacks that we hear of through the courts, that we experience through the court systems, sometimes from other areas even up here on the Hill, on various parts of the 8(a) program are very harmful and we really need to take a deep look at what those are and what the long-term impact is.

For my tribe and as my role at NACA when I look at the 8(a) program, that ability to produce small businesses to engage in federal contracting has been valuable, in that it has fueled growth in these tribal communities.

And, it is contagious amongst these tribal communities. As the tribe is able to be involved, as the Alaskan Native Corporation is able to be involved, as the NHO companies are able to be involved in this program, their members, tribal members, shareholders community members see that value.

Not only are they the beneficiary of some of the things that come out of that, they see an interest in wanting to become business owners and entrepreneurs. They see it working.

When they see it not working or they see attacks on it and they see bad things happen, they see resources disappear, they get disgruntled too and they are not too confident and not overly excited about pursuing that direction because everything is on the line when they start putting their own resources into an effort to build the business.

So, we at NACA and we at the Forrest County Potawatomi Community recognize the importance of these programs, and also recog-

nize being conscious of our peers and the other minority groups that are participating in the same program, as well in making efforts to bring them together as a collective voice that we can promote and support this program.

I am proud to say that NACA has entered into, the first time ever, a memorandum of understanding with the U.S. Black Chamber, Inc., and the U.S. Hispanic Chamber of Commerce, together moving forward to not only recognize these kinds of programs but also work together in other programs, along with the SBA, in bringing these groups together and adding that knowledge piece that I heard talked about a little bit before.

But, Senator, there has been a lot of attention given to the 8(a) program, not only on the Native side but also on the program as a whole; and we really need people to understand that this program works and needs to stay there.

Chair LANDRIEU. Thank you.

Ms. Powell.

Ms. POWELL. Yes, thank you. Following up on the opening statement that I made earlier in reference to the investment that the Congressional Black Caucus Foundation made in National Black Banks, I do want to recognize from the audience B. Doyle Mitchell, Jr., who is the Chairman of the National Bankers Association (NBA) and President of the Industrial Bank, because a lot of the comments that are being made here about banks and I do not know that the connections have necessarily been made to NBA. It will be good for you all to have that conversation about how to revamp some of these risk models so that the money that went to Louisiana, New Jersey, Chicago, D.C., and North Carolina can definitely get to the communities that we serve. And, many of these things NBA banks are CDFIs. Therefore, I just want to bridge that gap and make that acknowledgment.

Also, we have a partnership with Ann Sullivan and Madison Services Group, who has been instrumental in helping us make connections to other corporate partners; and one of those partnerships is with American Express Open.

During our signature conference in July, we hosted our top 100 business owners from across the country, and they were able to meet one on one directly with 25 government buyers.

These types of activities and initiatives are very important in terms of making sure that business owners have access to resources and opportunities that they would not otherwise.

Another partner, who you have been involved with Senator, is Google. Google hosted a huge technology workshop at our conference helping our business owners to increase their search engine optimization so that they can better market to the world and increase their overall revenues to strengthen their capacity to hire and reduce the unemployment rate.

And then finally, to Congressman Richmond's point, in February of this year we launched a hire one campaign to encourage all African-American business owners to hire at least one additional employee so that we can be at the forefront of the ongoing economic recovery.

Chair LANDRIEU. And if you did, the recession would be over.

Ms. POWELL. Exactly.

Chair LANDRIEU. Because you would hire, what is the number? I used to know that number. About 2 million.

Ms. POWELL. Exactly. We would hire about 2 million.

Chair LANDRIEU. And the recession would be over.

Ms. POWELL. Exactly. We have recently highlighted several of our businesses that answered the call and we have also highlighted many of the black-owned hotels that have answered the call.

Even the leisure and hospitality sector is one of those sectors where everybody can develop a skill that is transferable to another job or opportunity. We want to encourage our partners around the tables and those that are now aware of what we all are doing, to go back to our respective communities to raise awareness about these initiatives.

Dr. McKernan.

Ms. MCKERNAN. I just wanted to second the Congressman's point that wealth inequality matters for everyone, not just the poor, because a strong, vibrant, and thriving middle class is important for economic growth.

And then, I wanted to build on the Senator's and others comments about the importance of training. I think what is particularly powerful is when you can combine capital with that training at the same time. That is in part what individual development programs do.

At the Urban Institute, our research with CFED shows that IDAs have helped maintain home ownership through the foreclosure crisis; foreclosure rates for home buyers who bought through an IDA program and received that training at the same time as they were doing that saving were one half to one-third the rate that they were for other low income home buyers in the same communities.

It's the power of combining training with capital. Spending on IDA programs represents less than one percent of the federal spending on asset development and inefficient funding subsidizing large homes and debt such as the mortgage home interest deduction could easily make that a revenue neutral increase.

Chair LANDRIEU. Excellent suggestion.

Mr. Hairston.

Mr. HAIRSTON. Just following on with regard to the comments regarding the importance of management and technical assistance, I believe that understanding how to effectively employ capital is as important as having access to capital.

One of the big impacts of the economic downturn and the impact that it has on the minority community is that the fact that they do lack capital inhibits their ability to have access to those resources that will enable them to more effectively run their businesses and do, in fact, have access to the networks that are important in developing and sustaining a business.

A lot of people do not realize that when we talk about the 8(a) program, everybody thinks about Section 8(a) of the Small Business Act but the 8(a) program was actually legislated under two sections of the Act.

The other part of the Act which is really the premise of the program which is business development is section 7(j) of the Act; and under section 7(j) of the Act, we have the ability to provide man-

agement and technical assistance to not only 8(a) firms but other disadvantaged-owned companies.

And through that program, we provide a lot of assistance hands-on, a lot of training, and a lot of directed assistance in terms of direct developing marketing plans, teaching individuals how to manage their companies, teaching them how to develop their business plan, how to manage their assets.

So, that is an important asset that we have available and I am glad that the Chair mentioned our SCORE program but we have a lot of other technical assistance programs as well through our small business development centers, our women's business development centers, and we work very closely with the PTACs as well.

But I just think it is very important that we do not forget the affect of the widening of the income gap has on the ability not only to access capital but to access the knowledge base that is necessary to effectively run businesses.

Chair LANDRIEU. Thank you.

Ms. HASEGAWA. If I may comment?

Chair LANDRIEU. I'm sorry. I asked the staff to go get a chart I wanted to put up on your point but I wanted to make just a couple of comments.

This CDFI has come up time and time again and I wanted to say that I am very proud that this Committee has voted out President Obama's recommendation, and it was our own as well, to increase CDFI authority from $3 billion to $4 billion and to increase the family of funds limits from 250 to 350 I think.

Somebody on my staff has to correct me, and the reason is because some of these very successful CDFIs that Ms. Major has talked about and Ms. Evans has talked about have reached their capacity to lend and it is an arbitrary cap that the Federal Government has put on them.

And so, it is a very important piece of legislation again having great difficulty getting through the other body. But I do think that there is support because it passed out of our Committee with Republican and Democratic support to increase the authorization. That is another billion dollars that could find its way to communities and increase the fund limit of those that are hitting up against their limit and basically rewarding the more successful CDFIs that are actually lending.

Some exist and are not doing anything. Fine. They can just, well, we would like to eliminate them but we definitely do not want to tap down the successful CDFIs, and these are lenders that are non-bank lenders.

So when I look at the country as Chairman of this Committee, I think of the 8000 banks that are out there, community banks—I am not talking about your big banks—8000 community banks, thousands of credit unions, hundreds of CDFIs.

And then, outside of CDFIs there are other non-bank lenders, nonprofit organizations that this Committee tries our best every day to strengthen that network, to push capital out through that network. But as a Barbara Major said, it is the last mile that is the hardest.

It is almost like when you put up an electric grid for the country. You can put it up on the main highways. That is the easy thing.

But getting that last mile. It is the same way with the post office. It is the most expensive to deliver the post to the house itself on a rural country road.

So, do you see what I am saying? That is the same way capital flows, and we are doing a pretty good job of getting it out there generally. But getting it into the communities that need it the most to lift the economics of the country is what our challenge is. And I think you are coming up with some really good ideas.

Ms. Major and then Ms. Evans.

Ms. MAJOR. Yes. One of the things too, speaking of CDFIs, I headed a CDFI that we created after Katrina.

Chair LANDRIEU. And there are a thousand of them. So, go ahead. I wanted to make sure.

Ms. MAJOR. Right. That money came through HUD. So, I think there needs to be some collaboration between HUD and SBA around the issue of CDFIs because also what I have noticed is that the bigger CDFIs are the ones that keep getting. The smaller CDFIs who have feet on the ground in the community do not get the same kind of access. I am just putting it out.

Wherever the bank guy is in here, I will talk to you later because the banks have to be willing.

Chair LANDRIEU. I think you will actually like him. But go ahead, Barbara.

Ms. MAJOR. The banks have to be willing. It seems to be an assumption that the banks are going to be willing to do the right thing and that has not been the case.

So, one is develop a comprehensive approach because often what I hear is when we start talking about wealth gap, we start talking about jobs. Jobs are important but jobs alone is not what is going to close that gap. So, when we talk about wealth building, we are talking about the ability to create wealth over generations.

After Katrina—I would think in New York and New Jersey as well—the wealth in the African-American community is based on what you own. It is property. We lost all of that so it kicked us back a generation.

The assumption that, you know, like you just have good credit. You have got to understand history and why folks do not have good credit in the first place.

So, it is still set up that if you have you can still get. If you do not have you cannot get. So, you cannot speak of any of these issues in the absolute of understanding the history in these communities.

A comprehensive approach is one. We have got to have literacy. But I am dealing with businesses who say, look, I already have the literacy. I need the money. Do you know what I am saying? So, we have to have a place that deals with where can I access some capital, how can I enthusiastically encourage big business to do business with me.

So, one of the things we are doing is, like I said, it is going to be $3 billion in the next 24 to 36 months. Anybody here know some big contractors? Tell them to come to New Orleans. They want to play right with our small businesses, we will deal with them because we cannot—and the other thing is prompt payment.

A simple thing. I did a policy on the RTA board that DBEs get paid within 15 days. I had no idea of the impact that that was going to have on small business. If nothing else, you go back to your community tell your boards to pay DBEs quicker. Thirty days hurt; 45 days kill. So, so prompt payment.

And the mandates on federal. When you get federal dollars, you ought to be mandated to pay people, especially small businesses, before 30 days. I know they will not go there but I will say it 15 days.

Chair LANDRIEU. Ms. Evans and then Ms. Lisa.

Ms. EVANS. I just want to make a couple of comments. One, AEO released its report last year that documents that those businesses that receive technical assistance and business support from nonprofit organizations in their community actually experience growth 30 percent times more than those who do not. So, their revenues grew actually 30 percentage points higher.

But I actually want to make a more provocative statement and that is that size matters. As we sit here and talk about closing the wealth gap, I think it is important to make sure that we are proposing solutions to fit the size of where most minority businesses actually are.

Ninety-two percent of all businesses in this country are micro. Nearly 99 percent of all African-American businesses in this country are micro; and so when we talk about small business, I think size matters in that we have to make sure we are talking about where these African-American Hispanic and other minority-owned businesses really are. Small business strategies may miss them entirely because we are talking about micro is where they really are based and formed.

Lastly, I want to also, AEO in November will be releasing research on the national economic impact of micro-business which I hope you will attend and everyone here will attend. Our release of that data.

But one of the pieces of that data that I think is so important for this conversation, and particularly to those of you who are doing the disparity report, the disparity studies, what we have found out is that the concentration of African-American and Latino particularly business are in industry sectors that actually have low revenues; and so we need to have strategies that actually focus on how do we move more African Americans, Latinos, Native Americans and Asian-Americans into higher gross things industry sectors because we are seeing that the participation rates really are clustered in some of the lowest revenue producing industries that are there.

Then lastly, although I agree about your point about jobs and that it is about assets and wealth, what we know is that most of the job creation, as others have said here, that are going to take place like the people your parents hire. I am the product of a self-employed mother from Tennessee and the people who my mother hired, they would not have had jobs had it not been for neighborhood, local business owners.

In fact, as of today, if one in three main street micro businesses hired just one employee, just one, not all of them have to hire, one

in three main street micro businesses hired just one employee, we would bring the country to full employment.

Chair LANDRIEU. It is an amazing statistic, Ms. Evans, and thank you. Let me ask you. How would you define micro-business? Under 10?

Ms. EVANS. A business with five or less.

Chair LANDRIEU. Five or less?

Ms. EVANS. Yes.

Chair LANDRIEU. I am going to get back to the SBA to ask specifically what they are doing today or what you have planned to help micro-businesses, five or less. Be thinking about that.

Ms. Balwani.

Ms. BALWANI. I would just like to comment on Ms. Major about the payment structure. I would love to get paid in 15 days but honestly it is 60 days, and now it is 90 days.

So, you tell me how can small business owners like myself survive if I have to pay people every two weeks. So, it is an astonishing and it discouraging a lot of small businesses. They are actually hurting very much.

I am fortunate that my business is well established. I have a positive cash flow; but if I had not, there is no way. I would have to close my business absolutely.

So, there has to be an awareness that these companies are really stretching us. It is the major corporations. It is the largest pharmaceutical companies that are there who are saying take it or leave it. It is 60 days now. They have increased it to 90 days.

Chair LANDRIEU. I really want to underscore this, and I am sure we are stepping on some territory of some other Committees. But the question is. Is the Federal Government a slow payer? Are state governments slow payers?

Are local governments slow payers? And are major corporations slow payers?

And that hurts all small businesses and the question would be: Why should the smallest businesses in the country be basically floating, why should they be riding on the backs of small businesses? They can get access to money much quicker.

Now, I know I am probably treading on some other territory here, but let us just throw that out from our Committee and see if we can get some answers, because I hear this complaint from small business owners. It is so risky for us to take this contract because it is big. We can do it; but if we do not get paid quickly, it could bankrupt our company. I hear that a lot when I am traveling.

Ms. Hasegawa.

Ms. HASEGAWA. I have not addressed the data issue. So, I appreciate my colleagues including Asian-Americans. I think that that is great. However, you look at the numbers and you cannot ignore the fact that Asian-Americans in the aggregate are doing much better.

However, just in terms of trends, Asian-Americans did lose $70,000 in average of their networks. So, it went to being higher to whites, then $20,000 less than the whites and it is still substantially higher than other communities of color.

However, like I said, we focus on low income Asian-Americans and Pacific Islanders solely. And so, you know, in terms of that population, Asian-American and Pacific Islanders who are in pov-

erty, that poverty population group grew by 40 percent in the wake of the recession.

And so yes, the rate of poverty for the population as a whole went down. But if you look at just those who are poor or who are economically vulnerable, right on the edge of falling under the poverty line, that poverty population has grown by close to 50 percent.

So, if you are the community-based organization focusing on low income Asian-Americans and Pacific Islanders, the number of people that are eligible for your services that you need to serve as double the basically.

And so, I plead with you who, I am a resident of Maryland, and, you know, with the Federal Government, a lot of the Federal Government or just any government reports look at Asian-American data in the aggregate. And so, I just say there are different ways to look at need in the Asian-American community.

Otherwise, it looks like why are we doing anything for the Asians because they are doing better than everyone else. And so, I think with regards to government programs, it is very important to look at the subpopulation. Bangladeshis have one of the highest poverty rates. Tongans and Somoans have one of the highest rates of incarceration.

So, I think that, you know, strategies to self-employ people who are formally incarcerated, who are limited English proficient, small business is really the alternative to being unemployed, and micro businesses. So, I think that we have to think about it in those broader frames.

So, I appreciate everybody saying Asian American but I just wanted to say the finer points at least for our organization, race is important. Discrimination still exists but at least for Asian-Americans and Pacific Islanders and native Hawaiians in particular, you need to look at subpopulations and you need to look at those who are low income and under served and limited English proficient.

Mr. RICHMOND [presiding]. Good point.

Dr. McKernan.

Ms. MCKERNAN. Yes. I just wanted to say that we have talked about the broader role that home ownership and retirement wealth play for small business growth too. I think home ownership and retirement savings are powerful wealth-building vehicles because they make savings automatic and this is part of why we see that African-American and Hispanic families are not on the same wealth-building path. They are less likely to own homes, and they are less likely to have retirement savings accounts. And, these are two of the primary vehicles where Americans build their wealth.

What I mean by automatic is that the power of home ownership comes not from price appreciation but from that automatic monthly mortgage payment that comes due. It is a form of forced savings. You pre-commit and then you save.

The power of retirement savings comes in much the same way. The employer sets up an automatic process for sending money directly to our retirement accounts. After that initial decision, you do not have to do anything. But we know that nearly half of Americans, half of American workers do not have access to an employer-sponsored savings plan.

So, we can promote retirement savings through an automatic IRA, an automatic individual retirement savings account. Auto IRAs allow particularly low-wage workers—who do not have access to employer-sponsored retirement accounts—to make that initial decision and have that savings happen automatically each month.

Representative RICHMOND. Thank you.

Mr. Allis.

Mr. ALLIS. Congressman, thank you.

With respect to business development, the action items that I think we all ought to consider, the leaders that are in this room and amongst this table is, as Darryl will, you know, testify too, the 8(a) programs has been extremely successful for all minority communities that participate in the program, and it needs to stay there.

The federal court cases, Rothe I, DynaLantic, Rothe II question the constitutionality of the program and cause a lot of concerns to a lot of people. As we have interacted with the different agencies and the people involved in some of these cases, they have reached out to us asking for statistics, data, information that would show the discrimination and bias in contracting and in business development opportunities.

I have heard from all a lot of good information from some of the people here talking about statistics that they have on this industry, that industry. I would proffer that we all get together and the groups get together and supply that information to our leaders in Congress, to the various important people in The Administration, and Federal agencies. So, it is on the record. It is there.

So, we will be ahead of the curve of the court rulings that seem to be heading in the wrong direction, and make sure that this program stays around for generations to come in the long future.

Representative RICHMOND. I will comment on that and I think that what you are saying is very important, specially in looking at the opinion that the Supreme Court issued in the Voting Rights Act case which clearly said that we will not expressed much of an opinion except that the data is outdated. You cannot use data from 1962 to justify a current day program.

So, as you bring it up, we need to make sure that the data we used in justifying programs even through the statute and legislation continues to be updated so that there is a clear articulation and data to support the need for the program.

And, I think the people in this room are probably the best to help facilitate that. But you will need to, and we need to push that more in Congress because part of what the court said, and there were volumes and volumes and truckloads of evidence produced in the voting rights case but they look to the evidence and data that Congress used to justify the program.

So, that is something that is also very critical; and since you had the mic, I will pose a question to you and Ms. Powell and Ms. Hasegawa, remember my parents were electricians. We just worked it out.

Part of my question is just the support that the U.S. Chamber, are they there on any of the issues? Are they supportive and the collective effort of all of the minority chambers in addressing disparities, access to contract, access to capital, because I think if they

made a point to make it a priority and also talk about prompt pay, then the message might actually get out there.

Mr. ALLIS. Congressman, good question. I cannot speak to some of the other groups but the U.S. Chamber of Commerce in the last year has formed a group that specifically focuses on Native issues and it could be a wide variety of different issues. My understanding recently, there has been a kind of change in the leadership of that particular division so I do not know exactly where it is going.

But more importantly, you know, the 8(a) issue in DynaLantic kind of left us all scratching our heads on how do we figure out if, in fact, the 8(a) program is a good program in this particular industry group or that.

And so, whether it is the U.S. Chamber, you know, or it is all of us, we have got to figure out a way to have a clearinghouse where we can provide these stats, this information; and then we need you folks on the Hill to recognize that, and to make sure that the 8(a) program is safe.

Something has to be done now to, you know, turn the tide on the way these cases are going in the federal courts, to make sure we are not behind the eight ball, or chasing and defending, as opposed to being more proactive and letting them know that, you know, this program is right, it is constitutional, and here are the stats that support that.

And, there is a lot of good wealth of information in this room and there is a lot outside too. So, we have to figure out a way to get that to come in here.

Chair LANDRIEU. I am going to ask the SBA now to comment on the micro businesses because Ms. Evans, you have made several statements that deserve attention and response.

And, I have said from this chair many, many times when small businesses in America are defined by federal law as 500 employees or less, and we keep crafting our programs for 500 employees or less, we are just shooting wildly.

I hate to use the word "shooting" but it is too wide. We have to focus and target. So, I am trying to get our staffs, both minority and majority, to understand that we have certain strategies for businesses between 200 and 500. They have an interesting set of problems and dilemmas trying to really grow really big.

But then what do you do with the majority of businesses in America that are micro, zero to five. And many, many businesses, almost 99 percent I think are zero to 15 or zero to 20.

You know, those are the businesses we want to focus on and really help to emerge, and let me just make this point because I am on a little soap box about this.

I believe, like Cedric, my family had some small businesses too. My father was a self-employed lawyer who made $350 a month with nine children. That was very hard. I do not know how much your parents made. I think a little bit more than mine but anyway we came from hard working parents.

But you know, what I am trying to focus on are businesses in America that I would define, and if Pew has a better word great, but lifestyle businesses. People that want to run one restaurant. They do not want to run a chain of restaurants. They want to run one profitably. Pay for their home, send their kids to college, have

an impact on their neighborhood. Can anybody tell me if there is something wrong with that?

Why do we not ever focus on these lifestyle businesses? All we can talk about up here is Microsoft, Google. I am all for that. I am all for Microsoft, Google, Dell Computer, et cetera, et cetera.

But if we do not in Washington get our eyes on the people that are hiring in our neighborhoods, in the suburbs, in the rural areas, in the urban areas, those shoe shine, you know, the shoe repair, the cleaners, restaurants, those businesses.

Now, they might have small margins of profit; but if run correctly, they can create a lot of wealth over time and be transferred to the next generation. I don't want to underestimate how important these start up businesses are, where the earnings are spectacular in the finance sector, in the tech sector and moving, you know, the base of our community into those is very important as well.

But I think it needs to be balanced. And if someone has a different view, we can submit it to the record because I do not want to be completely dictatorial about this but until somebody gives me some evidence, I am going to continue to say, despite the fact that I am a lone voice, these lifestyle businesses are important in getting entrepreneurs who do not want to have a hundred employees. They would like to have 15 for 50 years and have great impact in their communities. We need to be helping them to make sure that they are not at risk.

Now, I am going to step out because I have unfortunately another commitment. I am going to have my small business staff director, bring us to close in the last 10 minutes. If you can stay, Congressmen, please you can provide some leadership here as well.

But I want to just say this record will stay open for the next two weeks. I want to acknowledge and get your final comments verbally but this record will stay open for two weeks and all of your organizations can submit even after that documents, reports, et cetera, that you think will be helpful to this discussion.

And, we plan to share this with other Committees, the Commerce Committee, maybe even the Justice Committee, the Finance, the Housing Committee, and the Education Committee so when we get ideas that you all have come that they need to be more open to, we will do that.

So, I am going to step out. I am going to have Jane Campbell, my very able staff director step in, and then thank you, Congressman, and if you can wrap it up for us as well. Thank you very much I really appreciate it.

Ms. CAMPBELL. Friends and neighbors, I am not Senator Landrieu and so I can only provide you with the logistics. We are, in fact, keeping the record open for a month on this particular one because of the complexity of the issues and because of the number of participants and the amount of interest that there was.

So, if you have any additional thoughts, questions, comments, please let us have those within that time period. If you know of others who you work with who have thoughts and comments on this, what Senator Landrieu would like to do is to use this next year to try to put together a similar report, the report that we issued today, that it is focused on best practices for raising the so-

cially disadvantaged population and increasing wealth amongst that population.

So, she is particularly interested in stories of success. What has been done that has been successful, whether that is a private program, a public program, a public-private partnership with a special idea about recommendations for the Federal Government.

So, as we no longer have a member of our Committee here, we should close the formal portion of this. We certainly invite you to talk to one another and we look forward to your ongoing participation.

Thank you so much for coming, for participating, and for your interest in trying to really solve this problem. We look forward to working with you.

This meeting is officially adjourned.

[Whereupon, at 11:48 a.m., the roundtable adjourned.]

APPENDIX MATERIAL SUBMITTED

Opening Statement for SBC ROUNTABLE: "Empowering America to Reach its Full Economic Potential: Closing the Wealth Gap"

September 18, 2013

Prepared by: Rob Sawicki, Ashley Scott and Krystal Brumfield

INTRODUCTION

Good morning and thank you for joining us for this roundtable. I would like to welcome my fellow Members of Congress, who are here today and those who are here in DC this week for the 43rd Annual Congressional Black Caucus Annual Legislative Conference.

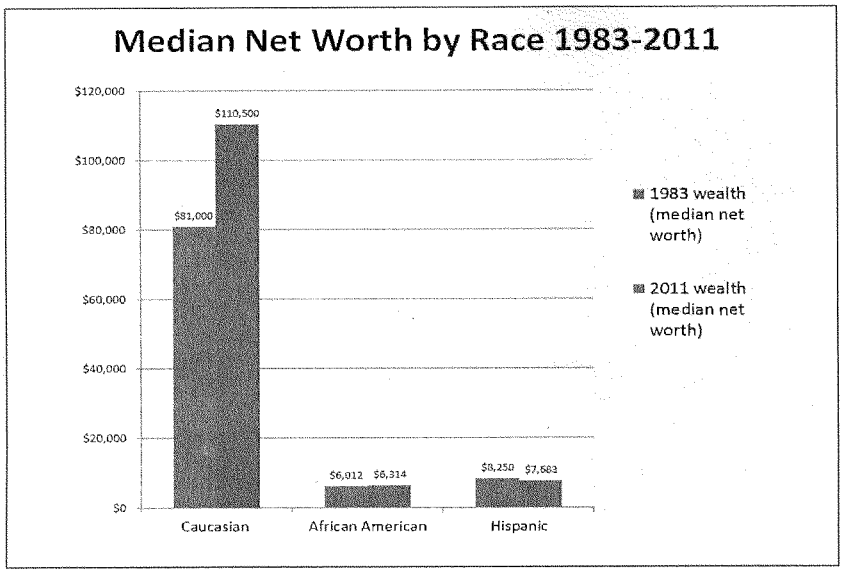
Fifty years ago, America engaged in a war on poverty that was aimed, in large part, at closing the economic gap between whites and minorities. During that time, we have made great strides in a number of areas. The gaps between whites and minorities in income and education have closed. This is good news, and we should be proud of this achievement. Yet, data tells us that this progress has not translated into the closing of the wealth gap. In fact, the gap between the median net worth of whites and minorities is bigger than it was three decades ago, when this data was first being collected. Closing that wealth gap is a challenge we

must conquer for America to compete in the 21st century global economy.

Last September, this committee held a roundtable that examined the wealth gap. After hearing from numerous experts, our committee staff set out to draft a report that takes a snapshot of what the current wealth gap looks like and what is causing this gap.

I am pleased to say that, in conjunction with today's roundtable, we are releasing that report to the public today. [Hold up report]

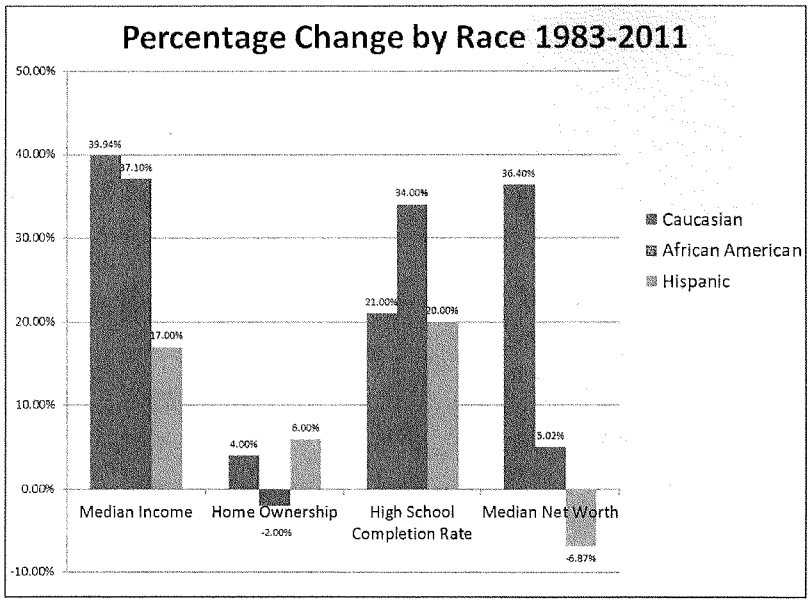
A recent Urban Institute report finds that the wealth gap — measured as the difference in wealth accumulated by Caucasians and minorities— is the largest it has ever been since the Federal Reserve started tracking it, 30 years ago, in 1983.



As you can see from the chart on the monitors, in 1983, Caucasian households had a net worth of $81,000, compared with $6,012 for African American households and $8,250 for Hispanic households. Today, the gaps separating Caucasians from minorities are significantly larger than they were thirty years ago. In 2011, a typical Caucasian household had a net worth of $110,500, compared with $6,314 for African American households and $7,683 for Hispanic households. To be more specific, the median net worth among white families rose 36 percent. Over that same time, the median net worth

among African American families rose only 5 percent, while the median net worth among Hispanic families actually dropped by 7 percent. These numbers make clear that the wealth gap persists and has grown over time.

Now that we have acknowledged this challenge and have taken a comprehensive look at its causes, it is time to focus in on what we can do to coordinate solutions that move America forward. That's where this morning's roundtable comes into play. The central question we want to answer today is **"What are we doing wrong in regards to solving the wealth gap issue and why isn't the wealth gap decreasing like other areas, such as income and high school completion rates as shown from the chart on the monitor?**



What is the Wealth Gap?

Before we can solve a challenge, we have to understand what it is. So, what is the wealth gap and how do we know that one exists? A half-century ago, we launched efforts to address civil rights, voting rights, and the "War on Poverty." Two decades later, in 1983, the Federal Reserve began tracking wealth in America and found that there were

startling findings, despite the initiatives of the 1960s, inequality continues to persist today.

Now, many will point out that we have made strides on income equality. They are correct, and that is a very good thing. However, we must understand that increases in income don't immediately translate to increases in wealth. This is true for a variety of reasons.

If you are in your 20's and come from a family that has lived in poverty for generations, you can break that cycle by going to college. That often requires taking on a significant amount of debt. After you graduate, even as your income increases, that money still goes to pay off your college and other debt you may incur trying to break the generational cycle of poverty. That creates potential barriers toward being able to purchase a home or get a line of credit to open a business, which also get in the way of building up wealth.

If you come from a family that was able to rise from poverty generations ago, you may be in a better situation when you graduate from college. Maybe you have parents who helped pay for college or helped you buy your first home or start a business. If you are fortunate

enough to be in this position, that is a credit to you and your family and precisely what the "American Dream" is all about. It is just that very few minorities find themselves in this position, because their families are at a different place on the road to that American Dream.

My goal in this discussion is to find ways to make sure that all families have the necessary tools to move forward down that road to the American Dream.

What are the Causes of the Racial Wealth Gap?

There are numerous factors that contribute to the racial wealth gap. I would like to briefly discuss just two that have a direct impact on business development, since that is within this committee's jurisdiction:

- **Generational Wealth Transfers**

Minorities' lack of assets and inherited wealth impacts their attainment of capital to start, maintain, or grow a small business. In fact, 82 percent of minority small business owners open sole proprietorships, compared to 71 percent of Caucasians. Thus, minority small business

owners have to rely on personal equity to a greater degree, which can be difficult due to the wealth gap and lack of inherited wealth.

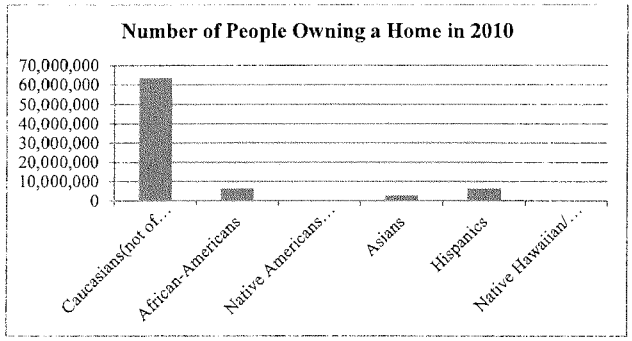
- **Lending Inequalities**

According to Dr. Robert Fairlie, Professor of Economics at the University of California at Santa Cru, minorities face lender discrimination, which in turn impacts their ability to open or expand a small firm as well as attain wealth. In fact, SBA's Office of Advocacy found the fear of loan application rejection to be higher amongst minorities than Caucasians. In 2010, 15.2 percent of Caucasians did not apply for a small business loan due to fear, compared to 38.8 percent of African-Americans and Hispanics. This trend also existed along gender lines, with 21.1 percent of women not applying compared to 17.8 percent of men.

As I'm sure our participants will point out, there are other factors in creating the wealth gap that aren't directly related to the work of this committee, but that should be discussed, as well. Two of those critical causes are:

- **Homeownership**

For most American families, their most valuable asset is their home. In 2004, 76 percent of Caucasians, 60 percent of Asians, and fewer than 50 percent of African-Americans and Hispanics owned a home. The disparity in demographic homeownership continued in 2010, as you can see in this chart:



Homeownership impacts the amount of capital available to start a business. Dr. Fairlie concluded that a "10 percent annual increase in housing equity increases the mean probability of entrepreneurship by 17 percent."

- **Education**

Education is fundamental for economic advancement. According to the Consumer Financial Protection Bureau, a significant amount of student debt can limit the ability to open a small business. The Department of Education found that the median and average student debt levels vary by demographic. In 2007-08, African-Americans took out the highest amount of student loan debt.

I know that our participants have a lot to offer on each of the causes I have outlined and many others, and I am looking forward to hearing their thoughts.

EXPLANATION OF ROUNDTABLE FORMAT

Before I ask today's participants to introduce themselves, I'd like to begin by going over the format of today's roundtable. The purpose of a roundtable is to have a constructive exchange of ideas and dialogue about the issues at hand. You are participants, not witnesses.

That noted, we have quite a few participants today, and we'd like to give everyone ample opportunity to contribute to this important discussion. Therefore, please keep your comments CONCISE.

I also ask that you please stand your name card up lengthwise in order to seek recognition. Also turn them towards me if you can so I can see them.

We will keep the record open until **October 18th,** if you would like to submit additional statements or materials. We usually leave the record open for only two weeks following a roundtable, but because we want to give everyone time to submit ideas and information, we are leaving the record for today's roundtable open for one month.

Please also note that although the record for this roundtable will close on October 18th, we will continue this discussion throughout this next year and welcome your thoughts and ideas at any time. Our hope is to issue a follow up report, next year at this time, focusing on best practices. I welcome your continued input throughout the discussions regarding this issue. Thank you.

INTRODUCTION OF PARTICIPANTS

Now, I'd like to ask each participant to please briefly introduce themselves, by clearly stating your name and the company or organization which you represent.

[START THE ROLL CALL OF PARTICIPANTS ALPHABETICALLY].

1. **Mr. Kevin Allis**, Trial Member, Forest County Potawatomi Community.

2. **Ms. Anisa Balwani**, President, RCI Technologies.

3. **Ms. Connie Evans,** President and CEO, Association for Enterprise Opportunity.

4. **Mr. Darryl K. Hairston,** Associate Administrator, Office of Business Development, U.S. Small Business Administration.

5. **Ms. Lisa Hasegawa,** Executive Director, National Coalition for Asian Pacific American Community Development.

6. **Mrs. Zenita Wickman-Hurley**, Special Secretary of Minority Affairs, Maryland Governor's Office.

7. **Dr. Rakesh Kochar,** Associate Director, Research and Hispanic Trends, Pew Research Center.

8. **Ms. Barbara Major**, Member of The Collaborative Group and Community Organizer.

9. **Dr. Signe-Mary McKernan,** Economist, The Urban Institute.

10. **Ms. Toya Powell**, Vice President of Operations, U.S. Black Chambers, Inc.

11. **Dr. Shree Taylor**, Managing Partner, Delta Decisions of DC, LLC.

Closing the Wealth Gap

Statement before the Small Business Committee
United States Senate

September 18, 2013

By

Signe-Mary McKernan and Caroline Ratcliffe

The Urban Institute
www.urban.org

Chair Landrieu, Ranking Member Risch, and Members of the Subcommittee, I thank you for the opportunity to testify today on the behalf of Caroline Ratcliffe and myself about closing the racial wealth gap.

When it comes to economic gaps between whites and families of color in the United States, income inequality tells only part of the story. Urban Institute research shows that the racial wealth gap is three times larger than the racial income gap.[1]

Wealth is where economic opportunity lies. Wealth isn't just money in the bank, it's insurance against tough times, tuition to get a better education and a better job, capital to build a small business, savings to retire on, and a springboard into the middle class.

Urban Institute analyses of wealth accumulation over the life cycle show that the racial wealth gap grows sharply with age. When people are in their 30s and 40s, whites have about 3.5 times more wealth than people of color. By the time people reach their early to mid-60s—near their peak wealth-building years—whites have about 7 times the wealth of people of color.

African Americans and Hispanics are not on the same wealth-building paths as whites. They are less likely to own homes and retirement accounts, so they miss out on these traditionally powerful wealth-building tools.

African American and Hispanic families start out behind. For example, they are five times less likely to receive a large gift or inheritance than a white family.[2] These are dollars that can be used for important investments, such as higher education, down payment on a home, or to invest in a small business.

Today's skewed federal subsidies exacerbate the disparity in wealth holdings and the racial wealth gap. The Federal government spends billions of dollars annually to support wealth-building (via the mortgage interest deduction and preferential tax treatment of retirement savings). Because these subsidies go through the tax code, the subsidies primarily benefit high-income families, disproportionately leaving out African Americans and Hispanics who have lower income.

Reforming wealth building policies so they benefit all families, and helping families enroll in automatic savings vehicles, will help improve wealth inequality and promote saving opportunities for all Americans.

Specific suggestions to close the racial wealth gap are:

1. **Make homeownership tax subsidies more progressive**
   Homeownership has long been the primary saving mechanism for low- and middle-income families and can be a stepping stone to the middle class. Low-income families generally miss out on homeownership subsidies operating through the tax system. For example, more than 70 percent of the value of the mortgage interest deduction goes to the top fifth of tax payers. Low-income families are further disadvantaged if those subsidies raise housing prices, especially in urban areas where land is scarce. Down-payment assistance targeted to low-wealth families and strategies to reduce barriers to homeownership also could help reduce the wealth gap.

2. **Promote retirement savings through automatic individual retirement accounts (IRAs)**

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[1] "Less Than Equal: Racial Disparities in Wealth Accumulation" by Signe-Mary McKernan, Caroline Ratcliffe, Eugene Steuerle, and Sisi Zhang, April 2013, available at http://www.urban.org/publications/412802.html

[2] "Do Financial Support and Inheritance Contribute to the Racial Wealth Gap?" by Signe-Mary McKernan, Caroline Ratcliffe, Margaret Simms and Sisi Zhang, September 7, 2012, available at http://www.urban.org/publications/412644.html

To help the nearly half of U.S. workers who do not have an employer-sponsored savings plan, enact federal legislation to create automatic IRAs. Automatic IRAs could particularly help low-wage workers save for retirement, as they are less likely than higher-wage workers to have an employer-sponsored retirement plan. With this program, employers that do not offer an employer provided savings plan would use their payroll system to automatically deposit a portion of employees' earnings into an IRA. Any employee who did not want to participate in the program would have to take steps to opt out. This is an important design feature, as automatic enrollment in 401(k) programs has been found to substantially increase 401(k) participation.

3. **Reauthorize the Assets for Independence program**
   The Assets for Independence (AFI) program, established by the Assets for Independence Act (1998), is the largest source of funding for individual development accounts (IDAs) in the United States. The AFI program should be reauthorized. IDAs are personal savings accounts targeted at low-income households that encourage them to save for specific investments (e.g., postsecondary educational advancement, a home, or a business) by matching earned income deposits and providing other program supports. Research[3] suggests that participating in an IDA program increases the likelihood an individual becomes a homeowner, starts or expands a business, or pursues postsecondary education. Further, research[4] finds that foreclosure rates for IDA homebuyers were one-half to one-third the rate for other low-income homeowners in the same communities.

4. **Increase access to high-quality education for low-wealth families**
   Wealth disparities are passed from generation to generation. Higher wealth families can buy high-quality education by buying a home in a wealthy school district or sending their children to private schools. Large gifts and inheritances play a further role in perpetuating the racial wealth gap. As mentioned above, African American (non-Hispanic) and Hispanic families are five times less likely to receive a large gift or inheritance than a white (non-Hispanic) family.[5] These are dollars that can be used for important investments, such as higher education, a home, or a small business. Public policies that subsidize education, for example, could enable families without sources of large gifts to go to college, boosting their earning capacity and, with it, their ability to accumulate wealth.

5. **Improve access to small business capital for low-wealth groups such as African Americans and Hispanics**
   Self-employment can patch income shortfalls, improve earnings growth, and diversify a family's wealth base beyond homeownership and retirement assets. But access to capital continues to

[3] "Evaluation Design for the Next Phase Evaluation of the Assets for Independence Program," by Erica H. Zielewski, Caroline Ratcliffe, Signe-Mary McKernan, Lissa Johnson and Michael Sherraden, May 2009, available at http://www.urban.org/uploadedpdf/412439-Assets-for-Independence-Program-Literature-Review.pdf.
[4] "Weathering the Storm: Have IDAs Helped Low-Income Homebuyers Avoid Foreclosure?" by Ida Racemacher, Kasey Wiedrich, Signe-Mary McKernan, Caroline Ratcliffe, and Megan Gallagher, April 2010, available at http://www.urban.org/uploadedpdf/412064_weathering_the_storm.pdf
[5] "Do Financial Support and Inheritance Contribute to the Racial Wealth Gap?" by Signe-Mary McKernan, Caroline Ratcliffe, Margaret Simms and Sisi Zhang, September 7, 2012, available at http://www.urban.org/publications/412644.html

be more difficult for minorities, who are less likely to receive conventional small business loans or large gifts from family members that could finance small businesses.

A three minute Urban Institute video on the Racial Wealth Gap and related research can be found on the Urban Institute website at Changing Wealth of Americans.[6]

[6] http://www.urban.org/changing-wealth-americans/

Signe-Mary McKernan

Senior Fellow

Center on Labor, Human Services and Population

McKernan is a national asset-building and poverty expert with over 17 years of experience researching access to assets and credit for the poor, and the impact of welfare programs on the poor. She recently published the book Asset Building and Low-Income Families with Michael Sherraden, and is leading the Urban Institute's Opportunity and Ownership Project with Eugene Steuerle. She advised the new Bureau of Consumer Financial Protection about setting up a first-rate research unit. Prior to joining the Urban Institute in 1999, McKernan was lead economist on credit issues at the Federal Trade Commission. She was also a visiting and adjunct professor at Georgetown University.

McKernan has extensive experience using rigorous econometric methods and large national survey databases. Her research has been published in books, policy briefs, reports, and journal articles. It has also been presented at over 50 professional conferences and seminars. Her asset research includes the role of assets in helping families cope with adverse events, racial wealth disparities, the role of individual development accounts in sustaining homeownership, mortgage loan closing costs, and the alternative financial sector. In her poverty-related work, McKernan evaluates the effectiveness of social programs aiming to improve poverty and material hardship. She has a Ph.D. in Economics from Brown University.

Written Testimony

of

Signe Mary McKernan
Senior Fellow, Urban institute
and

Caroline Ratcliffe
Senior Fellow, Urban Institute

For the Roundtable Panel Hearing

"Closing the Wealth Gap:
Empowering Minority-Owned Businesses to Reach Their Full Potential for Growth and Job Creation"

before the

Senate Committee on Small Business and Entrepreneurship

Wednesday, September 18, 2013
Russell Senate Office Building Room 428A

Chair Landrieu, Ranking Member Risch, and members of the committee, we thank you for the opportunity to testify about closing the racial wealth gap.

When it comes to economic gaps between whites and families of color in the United States, income inequality tells only part of the story. Urban Institute research shows that the racial wealth gap is three times larger than the racial income gap.[1] This distinction is important because wealth is where economic opportunity lies.

Wealth isn't just money in the bank, it's insurance against tough times, tuition to get a better education and a better job, capital to build a small business, savings to retire on, and a springboard into the middle class.

Urban Institute analyses of wealth accumulation over the life cycle show that the racial wealth gap grows sharply with age. When people are in their 30s and 40s, whites have about 3.5 times more wealth than people of color. By the time people reach their early to mid-60s—near their peak wealth-building years—whites have about 7 times the wealth of people of color.

African American and Hispanic families are not on the same wealth-building path as white families. They are less likely to own homes and retirement accounts, so they miss out on these traditionally powerful wealth-building tools. African American and Hispanic families also start out behind. For example, they are five times less likely to receive a large gift or inheritance than a white family.[2] These are dollars that can be used for important investments, such as higher education, down payment on a home, or to invest in a small business.

Today's skewed federal subsidies exacerbate the disparity in wealth holdings and the racial wealth gap. The federal government spends billions of dollars annually to support wealth-building (via the mortgage interest deduction and preferential tax treatment of retirement savings). Because these subsidies go through the tax code, they primarily benefit high-income families, disproportionately leaving out African Americans and Hispanics who have lower income.

Reforming wealth-building policies so they benefit all families, and helping families enroll in automatic savings vehicles, will help improve wealth inequality and promote saving opportunities for all Americans.

Five specific suggestions to close the racial wealth gap are:

1. **Make homeownership tax subsidies more progressive**
   Homeownership has long been the primary saving mechanism for low- and middle-income families and can be a stepping stone to the middle class. Low-income families generally miss out on homeownership subsidies operating through the tax system. For example, more than 70 percent of the mortgage interest deduction benefits go to the top fifth of taxfilers (by income). Low-income families are further disadvantaged if those subsidies raise housing prices, especially in urban areas where land is scarce. A first-time homebuyers tax credit targeted to low-wealth families and strategies to reduce barriers to homeownership would help reduce the wealth gap.

[1] "Less Than Equal: Racial Disparities in Wealth Accumulation," by Signe-Mary McKernan, Caroline Ratcliffe, Eugene Steuerle, and Sisi Zhang, April 2013, available at http://www.urban.org/publications/412802.html.
[2] "Do Financial Support and Inheritance Contribute to the Racial Wealth Gap?" by Signe-Mary McKernan, Caroline Ratcliffe, Margaret Simms, and Sisi Zhang, September 2012, available at http://www.urban.org/publications/412644.html.

2. **Promote retirement savings through automatic individual retirement accounts (IRAs) and expand the Saver's Credit**
   To help the nearly half of U.S. workers who do not have an employer-sponsored savings plan, enact federal legislation to create automatic IRAs and expand the Saver's Credit. Automatic IRAs could particularly help low-wage workers save for retirement, as they are less likely than higher-wage workers to have an employer-sponsored retirement plan. With this program, employers that do not offer a savings plan would use their payroll system to automatically deposit a portion of employees' earnings into an IRA. There is no cost to employers (beyond a small administrative fee, which is usually covered by a credit). Any employee who did not want to participate in the program would have to take steps to opt out. This is an important design feature, as automatic enrollment in 401(k) programs has been found to substantially increase 401(k) participation. Coupling automatic IRAs with an expansion of the Saver's Credit will help boost incentives for low-income families to save for retirement and increase their stock of assets available for retirement security.

3. **Reauthorize the Assets for Independence program**
   The Assets for Independence program, established by the Assets for Independence Act (1998), is the largest source of funding for individual development accounts (IDAs) in the United States. IDAs are personal savings accounts targeted at low-income households that encourage them to save for specific investments (e.g., postsecondary educational advancement, a home, or a business) by matching earned income deposits and providing other program supports. Research finds that participating in an IDA program increases the likelihood an individual becomes a homeowner, starts or expands a business, or pursues postsecondary education.[3] Further, joint Urban Institute research finds that foreclosure rates for IDA homebuyers were one-half to one-third the rate for other low-income homeowners in the same communities.[4]

4. **Increase access to high-quality education for low-wealth families**
   Wealth disparities are passed from generation to generation. Higher wealth families can buy high-quality education by buying a home in a wealthy school district or sending their children to private schools. Large gifts and inheritances play a further role in perpetuating the racial wealth gap. As mentioned above, African American and Hispanic families are five times less likely to receive a large gift or inheritance than a white family.[5] These are dollars that can be used for important investments, such as higher education, a home, or a small business. Public policies that subsidize education, for example, could enable families without sources of large gifts to go to college, boosting their earning capacity and, with it, their ability to accumulate wealth.

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[3] "Final Literature Review: Evaluation Design for the Next Phase Evaluation of the Assets for Independence Program," by Erica H. Zielewski, Caroline Ratcliffe, Signe-Mary McKernan, Lissa Johnson, and Michael Sherraden, May 2009, available at http://www.urban.org/publications/412439.html.

[4] "Weathering the Storm: Have IDAs Helped Low-Income Homebuyers Avoid Foreclosure?" by Ida Racemacher, Kasey Wiedrich, Signe-Mary McKernan, Caroline Ratcliffe, and Megan Gallagher, April 2010, available at http://www.urban.org/publications/412064.html.

[5] "Do Financial Support and Inheritance Contribute to the Racial Wealth Gap?" http://www.urban.org/publications/412644.html.

5. **Improve access to micro and small business capital for low-wealth groups such as African Americans and Hispanics**
   Self-employment can patch income shortfalls, improve earnings growth, and diversify a family's wealth base beyond homeownership and retirement assets. But access to capital is more difficult for minorities, who are less likely to receive conventional small business loans or large gifts from family members that could finance small businesses.[6] Small business loans are important for economic development, but because the definition of a small business is broad—cutoff of 500 employees—the loans are less likely to reach families of color. Microbusinesses are also important for self-sufficiency and wealth building.[7]

For more information:

Attached brief: "Less Than Equal: Racial Disparities in Wealth Accumulation" by Signe-Mary McKernan, Caroline Ratcliffe, Eugene Steuerle, and Sisi Zhang, April 2013, also available at http://www.urban.org/publications/412802.html

"The Racial Wealth Gap in America,"a three-minute whiteboard animation video, April 2013, available at http://www.urban.org/changing-wealth-americans/video/

"The Changing Wealth of Americans" on the Urban Institute web site, http://www.urban.org/changing-wealth-americans/

"Asset Building for Today's Stability and Tomorrow's Security" by Signe-Mary McKernan and Caroline Ratcliffe (http://www.urban.org/url.cfm?ID=1001374) and *Asset Building and Low-Income Familes*, edited by Signe-Mary McKernan and Michael Sherraden (http://www.urban.org/books/assetbuilding/index.cfm)

[6] "Competitive and Special Competative Opportunity Gap Analysis of the 7(a) and 504 Programs," by Kenneth Temkin, Brett Theodos, and Kerstin Gentsch, January 2008, available at http://www.urban.org/publications/411596.html.

[7] "Small Business and Microenterprise as an Opportunity- and Asset-Bulding Strategy," by Signe-Mary McKernan and Henry Chen, June 2005, available at http://www.urban.org/publications/311188.html.

URBAN INSTITUTE www.urban.org April 2014

Less Than Equal: Racial Disparities in Wealth Accumulation

Signe-Mary McKernan, Caroline Ratcliffe, Eugene Steuerle, and Sisi Zhang

When it comes to economic gaps between whites and communities of color in the United States, income inequality tells part of the story. But let's not forget about wealth. Wealth isn't just money in the bank, it's insurance against tough times, tuition to get a better education and a better job, savings to retire on, and a springboard into the middle class. In short, wealth translates into opportunity.

Policymakers often focus on income and overlook wealth,[1] but consider: the racial wealth gap is three times larger than the racial income gap. Such great wealth disparities help explain why many middle-income blacks and Hispanics haven't seen much improvement in their relative economic status and, in fact, are at greater risk of sliding backwards.

How Have Wealth Inequality and Income Inequality Changed Over Time?

Wealth is not just for the wealthy. The poor can have wealth too—and that wealth can accrue over time or provide collateral for borrowing, giving families a way to move up and out of poverty. A home or a car can offer benefits far beyond their cash value. And even a small amount of savings can help families avoid falling into a vicious cycle of debt when a job loss or financial emergency hits.

Wealth disparities have worsened over the past 30 years (figure 1). High-wealth families (the top 20 percent by net worth) saw their average wealth increase by nearly 120 percent between 1983 and 2010, while middle-wealth families saw their average wealth go up by only 13 percent. The lowest-wealth families—those in the bottom 20 percent—saw their average wealth fall well below zero, meaning their average debts exceed their assets.

There is extraordinary wealth inequality between the races. In 2010, whites on average had six times the wealth of blacks and Hispanics (figure 2). So for every $6.00 whites had in wealth, blacks and Hispanics had $1.00 (or average wealth of $632,000 versus $103,000).[2]

The income gap, by comparison, is much smaller. In 2010, the average income for whites was twice that of blacks and Hispanics ($89,000 versus $46,000), meaning that for every $2.00 whites earned, blacks and Hispanics earned $1.00.

How have these two measures changed over time? Neither has improved, but while the income gap has stayed roughly the same, the wealth gap has grown. In 1983, the average wealth of whites was roughly five times that of black and Hispanics.

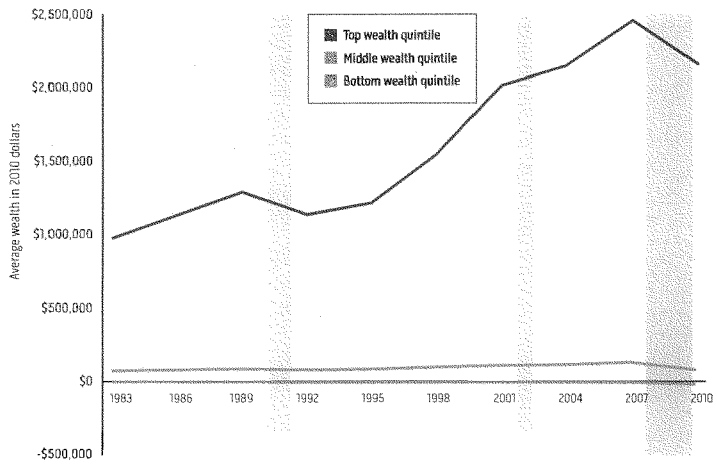
In inflation-adjusted 2010 dollars, as opposed to ratios, the gap is also growing—as would happen in any growing economy if the ratios remained constant, much less moved farther apart. The average wealth of white families was $230,000 higher than the average wealth of black and Hispanic families in 1983 (figure 3). By 2010, the average wealth of white families was over a half-million dollars higher than the average wealth of black and Hispanic families ($632,000 versus $98,000 and $110,000, respectively). If we look at the median family the wealth holdings are lower and the differences are smaller, but the trends are the same.[3]

How Does the Racial Wealth Gap Change Over the Life Cycle?

The racial wealth gap grows sharply with age. Early in wealth-building years (when adults are in their 30s), white families have 3.5 to 4 times the wealth of families of color. Over the life cycle these initial racial differences grow in both absolute and relative terms.

Whites on average are on a higher accumulation curve than blacks or Hispanics. Whites age 32–40 in 1983 had an average family wealth of $184,000 (figure 4). In 2010, near their peak wealth-building years of age 59–67, average white family wealth had shot

Figure 1. Wealth Inequality among U.S. Families Is Increasing



Sources: Authors' tabulations of the 1983, 1989, 1992, 1995, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances (SCF).
Notes: All values are presented in 2010 dollars, and data are weighted using SCF weights. Shaded areas indicate recessions.

up to $1.1 million. In contrast, blacks age 32–40 in 1983 saw their average family wealth rise more slowly, from $54,000 to $161,000 by 2010. Meanwhile, average family wealth for Hispanics increased from $46,000 in 1983 to $226,000 in 2010. In other words, whites in this cohort started with about three and a half times more wealth than blacks in their 30s but had seven times more wealth in their 60s. Compared with Hispanics, whites started with four times more wealth in their 30s but had nearly five times more wealth three decades later.[4]

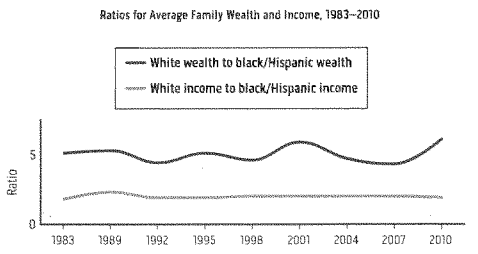
Blacks especially, but also Hispanics, are not on the same compound growth path. Particularly important, these families of color are less likely to own homes and have retirement accounts than whites, so they miss out on the automatic behavioral component of these traditionally powerful wealth-building vehicles. In 2010, fewer than half of black and Hispanic families owned homes, while three-quarters of white families did.

How Did the Great Recession Affect Wealth, and Who Lost the Most?

While the Great Recession didn't cause the wealth disparities between whites and minorities, it did exacerbate them. The 2007–09 recession brought about sharp declines in the wealth of white, black, and Hispanic families alike, but Hispanics experienced the largest decline. Lower home values account for much of Hispanics' wealth loss, while retirement accounts are where blacks were hit hardest.

Between 2007 and 2010, Hispanic families saw their wealth cut by over 40 percent,

Figure 2. The Racial Wealth Gap Is Three Times Greater Than the Racial Income Gap



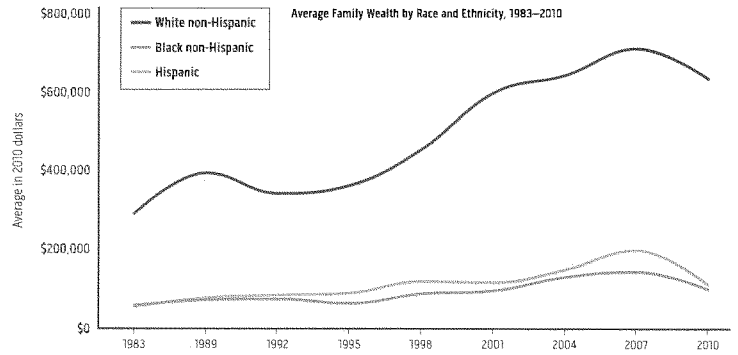
Source: Authors' tabulations of the 1983, 1989, 1992, 1995, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances (SCF).
Notes: Data are weighted using SCF weights.

and black families saw their wealth fall by 31 percent (figure 5). By comparison, the wealth of white families fell by 11 percent.

Like a lot of young families, many Hispanic families bought homes just before the recession. Because they started with higher debt-to-asset values, the sharp decline in housing prices meant an even sharper cut in Hispanics' wealth.[5] As a result, they were also more likely to end up underwater or with negative home equity. Between 2007 and 2010, Hispanics saw their home equity cut in half, compared with about a quarter for black and white families.

In contrast, black families lost the most in retirement assets, while white families experienced a slight increase. On average, blacks saw their retirement assets fall by 35 percent during the Great Recession, compared with a smaller (but still substantial) decline of 18 percent for Hispanic families. This finding is

Figure 3. The Racial Wealth Gap Is Not Improving



Source: Authors' tabulations of the 1983, 1989, 1992, 1995, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances (SCF).
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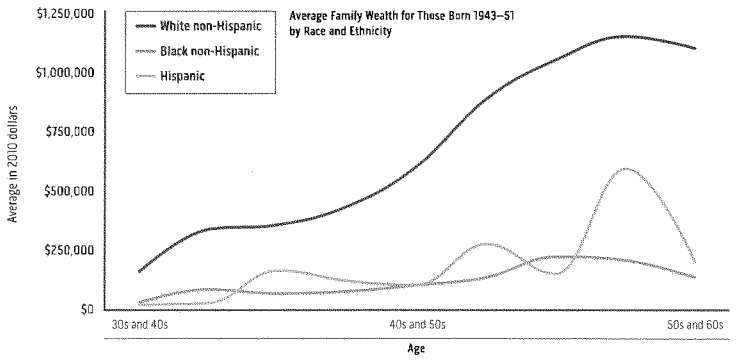
Figure 4. The Racial Wealth Gap Grows with Age



Source: Authors' tabulations of the 1983, 1989, 1992, 1995, 1998, 2001, 2004, 2007, and 2010 Survey of Consumer Finances (SCF).
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consistent with research that suggests lower-income families are more likely to withdraw money from retirement savings after a job loss or other adverse event. The high rates of unemployment and other financial needs that took hold with the Great Recession appear to have led to larger declines in retirement savings for black families.

The stock market has essentially recovered since the recession. So, those families able to hold onto their retirement saving over longer periods (such as those who remain employed or have other assets to which they can turn) come out much better than those who sell when markets are low.

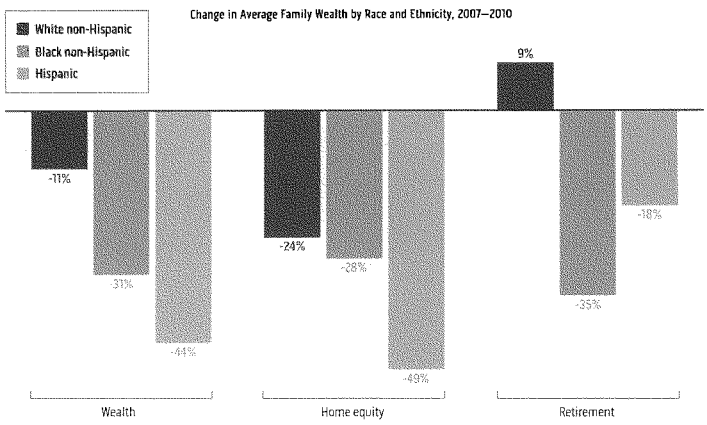
How Do We Fix This?

Families of color were disproportionately affected by the recession. However, the fact that they were not on good wealth-building paths before this financial crisis calls into question whether a whole range of policies (from tax to safety net) have actually been helping minorities get ahead in the modern economy. More fundamentally, it raises the question of whether social welfare policies pay too little attention to wealth building and mobility relative to consumption and income.

Because Hispanics and blacks are disproportionately low income, their wealth building is strongly affected by policies aimed at low-income families. Right now, safety net policies emphasize consumption: the Supplemental Nutrition Assistaoce Program and Temporary Assistance for Needy Families, for example, try to ensure that families have enough food to eat and other basic necessities. Many safety net programs even discourage saving: families can become ineligible if they have a few thousand dollars in savings. Wealth-building policies, on the other hand, are delivered as tax subsidies for homeownership and retirement. Since families of color are less likely to be able to use these subsidies, they benefit little or not at all.

Most families save by paying off mortgages through homeownership and accumulating wealth in compounding retirement accounts. The automatic component of these assets—a monthly mortgage payment, regular deposits from earnings to savings—facilitate wealth building. Both methods are threatened by some disturbing current trends. The Great Recession led many low-income individuals to fear homeownership even when it became much cheaper on net than renting. Meanwhile mortgage credit has tightened—and

Figure 5. Hispanics Lost the Most Wealth during the Great Recession, While Blacks Fared Worse than Whites



Source: Authors' tabulations of the 2007 and 2010 Survey of Consumer Finances (SCF).
Note: Data are weighted using SCF weights.

might be further tightened with higher down payment rates—making credit most available in a bubble market and least in a bust market. For low-income families, especially families of color, this can exacerbate wealth inequality. Retirement savings, meanwhile, are threatened as a result of reduced employer contributions to pension plans and early employee withdrawals.

A common misconception is that poor or even low-income families cannot save. Research and evidence from savings programs shows they can. When we examined families living below the poverty level, we found that over a decade more than 40 percent were able to increase their net worth and save enough to escape asset poverty—in other words, they had enough assets to live at the poverty level for three months without income (about $3,000 for an individual and $6,000 for a family of four).

The federal government spends hundreds of billions of dollars each year to support long-term asset development. But these asset-building subsidies primarily benefit high-income families, while low-income families receive next to nothing. Reforming policies like the mortgage interest tax deduction so it benefits all families, and helping families enroll in automatic savings vehicles, will help improve wealth inequality and promote saving opportunities for all Americans. *

Notes

1. Wealth is measured as total assets minus total liabilities/debt. Assets are the sum of financial assets (such as bank accounts, stocks, bonds, and 401ks/IRAs) and nonfinancial tangible assets (such as homes and real estate, businesses, and vehicles). Liabilities include both unsecured debt (such as credit card balances) and secured debt (such as mortgages and vehicle loans).

2. At the median the racial disparity is greater: whites have eight times the wealth of black and Hispanic families.

3. The median wealth of white families was $80,000 higher than the median wealth of black and Hispanic families in 1983 ($91,000 versus $11,000 and $10,000, respectively). By 2010, the median wealth of white families was over $100,000 higher than the median wealth of black and Hispanic families ($124,000 versus $16,000 and $15,000, respectively).

4. Population changes stemming from immigration could account for some of the wealth changes for Hispanics over time.

5. For example, if two households have homes worth $100,000, and one owes $70,000 on the mortgage and the other owes $0, a 30 percent fall in home values implies a 100 percent drop in wealth for the first but only a 30 percent drop for the second.

For more information:
www.urban.org/changing-wealth-americans/

 This research was funded by the Ford Foundation, the Russell Sage Foundation, and the Annie E. Casey Foundation.

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The Wealth Gap between Whites, Blacks and Hispanics

Rakesh Kochhar, Pew Research Center

Presentation to the U.S. Senate Committee on Small Business & Entrepreneurship
Panel Discussion on "Closing the Wealth Gap: Empowering Minority-Owned Businesses to Reach Their Full Potential for Growth and Job Creation"

September 18, 2013

My statement presents evidence on the gaps in wealth across white, black and Hispanic households. The Pew Research Center, which I represent, does not take positions on policy issues.

Wealth is the value of the assets you have accumulated over time less the liabilities you have accumulated. Two years ago, we published a study showing that in the wake of the Great Recession in 2009 the median wealth of white households was 20 times that of black households and 18 times that of Hispanic households.

These ratios were the largest since the government began publishing data on wealth three decades ago.

The changes since 2009 have been modest. The latest data published by the Census Bureau are for 2011. These data show that the typical black household had about $6,000 in wealth in 2011 ($6,314); the typical Hispanic household had slightly less than $8,000 ($7,683); and the typical white household had about $110,000 ($110,500).

These wealth levels indicate that white households now have 18 times as much wealth as black households and 14 times as much as Hispanic households.

The current levels of these ratios are about 1.5 to 2 times the size of the ratios that had prevailed for the two decades prior to the Great Recession.

The main reason for the surge in the wealth gap is the housing market crash in 2006. Black and Hispanic households derive a much greater share of their wealth from home equity in comparison with whites who have more diversified portfolios. Also, Hispanics live in relatively larger proportions in states where home prices decreased the most. In addition, the recession was relatively harder on the employment and income prospects of blacks and Hispanics.

Even after the housing market and the economy have recovered from the recession history tells us that the white-to-black or the white-to-Hispanic wealth ratios may still be as high as 10-to-1. Persistent differences in income, homeownership, and financial market participation are a part of the explanation.

Thank you.

Rakesh Kochhar

Rakesh Kochhar is Associate Director for Research at the Pew Research Center's Hispanic Trends Project. Dr. Kochhar's work at the Center focuses on trends in the employment, income and wealth of Hispanic workers and households. Prior to joining the Center, Dr. Kochhar served as an economics consultant to government agencies, private firms, international agencies and labor unions. He has served as President of the Society of Government Economists and as an International Economics Fellow of the Ford Foundation. Dr. Kochhar received his Bachelor's and Master's degrees from the University of Delhi, India and completed his doctoral studies in economics at Brown University.

U.S. Senate Committee on Small Business and Entrepreneurship
"Closing the Wealth Gap: Empowering Minority-Owned Businesses to Reach Their Full Potential for Growth and Job Creation"
September 18, 2013
Statement by Toya Powell, U.S. Black Chambers, Inc.

Thank you, Senator Mary Landrieu and Staff, for hosting this important economic empowerment discussion. My name is Toya Powell and I am the Vice President of Operations for the U.S. Black Chambers, Inc. (USBC). The U.S. Black Chambers, Inc. has 112 Chambers and affiliated Business Associations in 24 states, supporting 240,000 businesses through our **Five Pillars of Service: Advocacy, Access to Capital, Contracting, Entrepreneur Training, and Chamber Development.**

One of the primary barriers that inhibits business expansion amongst minority entrepreneurs is access to capital. To kick-off its 43rd Annual Legislative Conference this week, the Congressional Black Caucus Foundation (CBCF) announced yesterday its intentions to make a $5 million investment in Black-owned banking institutions as part of a broader effort to increase the availability of loans for businesses and individuals in Black communities. CBCF selected banks in four regions of the country-the North, South, East and Midwest to achieve geographic balance in an initiative that will be crucial in lifting the economic fortunes of Black communities in partnership with the National Bankers Association and the U.S. Black Chambers, Inc. See more details here: http://bit.ly/15B8uSg Major initiatives such as this one are critical for the success and sustainability of the minority entrepreneurial ecosystem as well as the vitality of the overall American economy.

In July 2013, the U.S. Black Chambers, Inc. hosted its 3rd Annual School of Chamber Management with our chambers leaders from across the country, top 100 business owners, congressional leaders, and other public and private partners. The goal was to focus on solutions to strengthen the business community and identify solid procurement opportunities. For example, our top 10 business owners, members of our President's Circle, met and discussed procurement opportunities with our corporate partners such as, Hilton Worldwide, United Airlines, Diageo, and Madison Services Group. In addition, American Express OPEN hosted a "Contract Connections" one-on-one matchmaking session with over 100 business owners and 25 government agencies. Google hosted a large technology showcase to help our businesses increase their search engine optimization and effectively leverage other web-based tools in their platform to increase market exposure as well as grow revenues. We visited the White House for a Business Briefing with Senior Officials in the Obama Administration. And, thanks to you, Krystal Brumfield, and the Senate Small Business Committee team, we had an impactful Advocacy Day at the U.S. Capitol with leaders in the House and Senate to identify ways to connect public policy with the business community in a meaningful way. During our conference, we also signed a historical Memorandum of Understanding between the U.S. Black Chambers, Inc., U.S. Hispanic Chamber and the Native American Contractors Association to collaborate and team on procurement opportunities.

During Black History Month this year, USBC launched a "Hire-One" Campaign, encouraging all Black-owned businesses to hire at least one additional employee to address the high unemployment rate in our community. Throughout the year, we have highlighted various business owners in diverse industries and sectors that have answered the call. Most recently, we recognized Black-owned hotels that have supported our "Hire-One" Campaign. To identify Black-owned businesses across the country, we're working on assembling a master database and we've formed strategic alliances with Around the Way, which utilizes GPS technology, as well as the Clinton Global Initiative to amplify the messaging of this effort and engage other stakeholders.

These are just a few solutions that USBC has implemented to provide access to resources and networks that help businesses grow and thrive to close the wealth gap. We welcome the opportunity to partner with leaders and organizations who share the same values and interests to elevate communities nationwide.

Thank you!

Toya Powell

Vice President, Operations
U.S. Black Chamber, Inc.

Biography:

Toya Powell serves as the Vice President of Operations for the U.S. Black Chambers, Inc., focusing on Advocacy, Access to Capital, Contracting, Entrepreneur Training, and Chamber Development to promote economic empowerment for small businesses and chambers nationwide. Prior to this role, Toya was a Real Estate Economist at Property & Portfolio Research, Inc., a CoStar Company in Boston, MA, monitoring commercial real estate markets to help clients such as institutional investors, developers, and pension funds maximize risk-adjusted returns. She was also a Business Opportunity Specialist at the U.S. Small Business Administration, reviewing applications for firms seeking Small Disadvantaged Business (SDB) certification. In addition, Toya was an Economist with the U.S. Bureau of Labor Statistics, where she researched and analyzed import, export, and exchange rate data in the International Price Program.

A Realtor in Washington, D.C., and Maryland, she worked with Long & Foster Real Estate Inc. Toya is a native of the Washington, D.C. area and earned her B.A. in Economics from the University of Maryland-College Park.

Likely to Discuss:

- Toya will most likely discuss minority small business development with a focus on access to capital, contracting and training programs.

Lisa Hasegawa's Introductory Remarks

- The National Coalition for Asian Pacific American Community Development (National CAPACD) is the first national advocacy organization dedicated to addressing the housing, community and economic development needs of some of the country's most marginalized populations – lower income Asian Americans, Pacific Islanders, Native Hawaiians, refugees, and immigrants. We were created in 1999 by a network of established community development organizations that have been providing a vast array of services to AAPI immigrants, refugees and low income populations for over three decades. Today we are a membership-based network of more than 75 organizations with significant capacity in community development in 19 states that focus on providing linguistically and culturally competent services and programs.
- In 2010, became the first HUD-certified National Housing Counseling Intermediary specifically focused on serving AAPIs with a network of 22 organizations in 16 geographic areas with the capacity to provide services in 31 AAPI languages.
- National CAPACD, along with NCLR and NUL, is a founding member of the Asset Building Policy Network (ABPN) a coalition of the nation's preeminent civil rights and advocacy organizations committed to closing the wealth gap in the US.
- AAPIs are among the fastest growing racial and ethnic group in the country. However, the large increase in the overall AAPI population base and success of AAPIs has overshadowed the growing poverty in our communities. From 2007-2011, the AAPI poverty population grew by half a million, rising past 2 million - representing a 38% increase in the total AAPI Poverty Population in just 4 years.
- Further, AAPI households and their relative wealth standing compared to other racial/ethnic groups have often led to overly simplistic conclusions about the perceived wealth parity AAPIs have achieved compared with whites. However, the reality is that that Asian Americans, who actually started with a higher wealth standing than whites in 2005, now have a net worth that has left them significantly lower than that of whites. This dramatic drop in net worth, which coincided with the housing crisis, points out that Asian net worth mostly stems from housing values – which also means they are more vulnerable to another recession.
- For many AAPIs, small business ownership is a means of achieving economic security. These small businesses are often the economic and cultural anchor for most AAPI neighborhoods. And yet, AAPI owned small businesses are largely marginal (most AAPI small businesses are sole proprietorships and microenterprises), with poor access to capital to be able to take the next step up – AAPI small business owners often rely on personal assets as an important source of support for their enterprises — whether through personal savings or using a line of credit secured by their home.

- With small businesses a key factor in the economic security of AAPI families and neighborhoods, we need to ensure the continued growth and support of these businesses. We need policies that: 1) ensure language and cultural access to small business financial products and other support; protect resources for technical assistance for small businesses and micro-enterprises; and provide a better understanding of the small needs in our communities through improved tracking of race/ethnicity for small business lending.

Biography for Lisa Hasegawa

Lisa Hasegawa is the Executive Director of the National Coalition for Asian Pacific American Community Development (National CAPACD). National CAPACD is the first national advocacy organization dedicated to meeting the housing and community development needs of the Asian Pacific American community. They focus on four key community development areas: affordable housing development; economic development - including workforce and business development; community empowerment and cultural preservation; and neighborhood revitalization. Most recently, National CAPACD has partnered with the National Council of La Raza, the National Urban League and other housing advocacy and civil rights organizations to respond to the foreclosure crisis and ensure that the voices of civil rights advocates are heard as the nation considers sweeping housing and financial services reforms.

She currently serves on the boards of the National Low Income Housing Coalition, and the American Progressive Caucus Policy Foundation. She also sits on Freddie Mac's Affordable Housing Advisory Council. She has provided leadership for the National Council for Asian Pacific Americans for over a decade, currently serving on the Executive Committee and serving as the Chair from 2006 through 2007. Prior to joining National CAPACD, Lisa was the Community Liaison for the White House Initiative on Asian Americans and Pacific Islanders. She played a central role in organizing two Town Hall meetings, where hundreds of community-based organizations and individuals testified before the President's Advisory Commission on AAPIs about the critical issues facing Asian American and Pacific Islander communities across the country and in the Pacific Islands. She is a fourth generation Japanese American from California, and is a graduate of the University of California, Los Angeles, and the Harvard School of Public Health.

Statement of Zenita Wickham Hurley

Before the

United States Senate Committee on Small Business and Entrepreneurship

Mary L. Landrieu, Chair

At the panel discussion entitled,

"Closing the Wealth Gap: Empowering Minority-Owned Businesses to Reach Their Full Potential for Growth and Job Creation"

Wednesday, September 18, 2013

10:00 am

Good morning Madam Chair, members of the Committee and other distinguished panelists. Thank you for the opportunity to participate in today's panel discussion. My name is Zenita Wickham Hurley and I am the Special Secretary of the Governor's Office of Minority Affairs for the State of Maryland. GOMA, as we often call ourselves, is a cabinet level agency that advises the Governor on issues affecting small and disadvantaged businesses. One of our most important responsibilities is administering the State's Minority Business Enterprise Program. Maryland's MBE Program was established in 1978 to remedy race and gender discrimination by increasing opportunities for minority- and women-owned firms to engage in state contracting. The Program is enabled by our State code, and requires 70 agencies and departments to structure $6 - $7 billion in procurements to try to achieve an overall goal of 29% participation by minority- and women-owned firms either directly or indirectly.

GOMA serves two key roles in providing oversight of Maryland's MBE program: developing policies and guidance to assist state agencies in successfully implementing the MBE Program; and advocating on behalf of minority and women business owners who are seeking state procurement opportunities. In order to ensure compliance with MBE program requirements, GOMA requires agencies to submit monthly reports on MBE awards and payments and provides ongoing training for MBE program administrators and businesses on best practices. We are extremely proud of our minority business utilization rates, which show an increase in the percentage of awards to MBEs every year for the past six years – even during significant government cutbacks. In recent years we have started to look beyond participation data, to develop and implement laws and policies that strengthen enforcement and compliance in the MBE Program and promote the development of MBE prime contractors – all while ensuring that the program remains flexible and fair to all businesses. Because of our efforts, we are widely regarded as a national leader in minority business inclusion.

Yet even as we have seen steady increases in overall MBE participation on State contracts, we are still far from parity. In fact, despite Maryland's implementation of a race-conscious public contracting program for more than 30 years, our most recent Disparity Study shows adverse and statistically significant disparities for minorities and women across all procurement categories. Thus, many more minority- owned firms are available to do work than are used on our contracts. The Disparity Study also shows that minority businesses earn significant less in wages and salaries than their nonminority peers and continue to face discrimination in small business credit market. And on contracts without MBE goals – in the public or private sector, minority businesses are rarely even asked to submit a bid – even by firms they have worked with successfully in the past.

In my job as GOMA Special Secretary, I have had many opportunities to talk to minority businesses about their experiences doing business in the State. Many have shared that they continue to face barriers to working on public and private sector contracts, including stereotypes, false perceptions of incompetence, higher performance standards than their non-minority counterparts, and exclusion from industry networks. As a Director for the National Association of Minority, Women and Disadvantaged Business Enterprise Directors - an organization dedicated to raising awareness of state M/W/DBE programs and their missions - I can attest that these experiences aren't limited to businesses in Maryland but are common in every region in the country. Several examples are included in my full written statement, to be submitted for the record after today's discussion.

The persistent underutilization, low wages, and credit market and other business-related discrimination experienced by minorities results in minorities being significantly less likely to own their own businesses and derive the wealth that stems from entrepreurship. This is important – because if we are going to close the growing wealth gap between non-minorities and minorities, then we must confront the discrimination that prevents minority businesses from forming and becoming competitively viable.

Programs like Maryland's MBE Program and the federal Disadvantaged Business Enterprise Program are vital to this effort but are still only one of many strategies we'll need to ultimately eliminate discrimination and empower minority businesses to reach their full potential. I am confident that if we work together, we can overcome the considerable challenges that face us in this effort. I look forward to sharing additional experiences and exchanging potential solutions during today's discussion.

Statement of Zenita Wickham Hurley, Special Secretary of the
Governor's Office of Minority Affairs
Before the
United States Senate Committee on Small Business and Entrepreneurship
Mary L. Landrieu, Chair

At the panel discussion entitled,
"Closing the Wealth Gap: Empowering Minority-Owned Businesses to Reach Their Full Potential for Growth and Job Creation"
Wednesday, September 18, 2013

Madam Chair, Members of the Committee and other distinguished panelists, thank you for the opportunity to participate in this panel discussion. My name is Zenita Wickham Hurley and I am the Special Secretary of the Governor's Office of Minority Affairs for the State of Maryland. On behalf of GOMA, I am submitting this statement for the record of the panel discussion entitled, "Closing the Wealth Gap: Empowering Minority-Owned Businesses to Reach Their Full Potential for Growth and Job Creation." We appreciate this opportunity and thank you for your consideration of our statement.

I. Introduction

GOMA is a cabinet level agency that advises the Governor on issues affecting small and disadvantaged businesses. This includes taking a lead role in working with stakeholders to develop and implement policies and procedures aimed at increasing participation in State - funded and supported contracting through advocacy, compliance, legislation and policy. GOMA is devoted to addressing the discrimination that minority- and women-owned businesses continue to face in public sector contracting and to promoting awareness of the benefits of government programs and resources that support and strengthen the minority

contracting community. Unfortunately, minority and women-owned businesses continue to experience discrimination across all procurement categories in state contracting. As a result, there continues to be a need for robust race-conscious public contracting programs like Maryland's Minority Business Enterprise (MBE) program and the federal Disadvantaged Business Enterprise (DBE) program.

II. Maryland's Minority Business Enterprise (MBE) Program

One of GOMA's most important responsibilities is administering the State's MBE Program. Maryland's MBE Program was established in 1978 to remedy race and gender discrimination by increasing opportunities for minority- and women-owned firms to engage in state contracting. The Program is enabled by our State code, and requires 70 agencies and departments to structure $6 - $7 billion in procurements to try to achieve an overall goal of 29% participation by minority- and women-owned firms either directly or indirectly.[1]

GOMA serves two key roles in providing oversight of Maryland's MBE program: developing policies and guidance to assist state agencies in successfully implementing the MBE Program; and advocating on behalf of minority and women business owners who are seeking state procurement opportunities. In order to ensure compliance with MBE program requirements, GOMA requires agencies to submit monthly reports on MBE awards and payments and provides ongoing training for MBE program administrators and businesses on best practices. We are extremely proud of our minority business utilization rates, which show an increase in the percentage of awards to MBEs every year for the past six years –

[1] The MBE Program law is codified at Section 14-301, *et seq.* of the State Finance and Procurement Article (2009 Repl. Vol., 2012 Supp.) (SFP), Md. Code Ann

even during significant government cutbacks. In recent years we have started to look beyond participation data, to develop and implement laws and policies that strengthen enforcement and compliance in the MBE Program and promote the development of MBE prime contractors – all while ensuring that the program remains flexible and fair to all businesses. Because of our efforts, we are widely regarded as a national leader in minority business inclusion.

III. Discrimination Continues to be a Problem in Public Contracting in Maryland and Beyond

Unfortunately, even as we have seen steady increases in overall MBE participation on State contracts, we are still far from parity. In fact, despite Maryland's implementation of a race-conscious public contracting program for more than 30 years, our most recent disparity study shows adverse and statistically significant disparities for minorities and women across all procurement categories. With my statement, I am submitting for the record Maryland's 2011 Disparity Study, entitled "The State of Minority- and Women-Owned Business Enterprise: Evidence from Maryland," (hereinafter referred to as the "2011 Disparity Study") in its entirety.[2]

With the 2011 Disparity Study, Maryland firmly established a public record of the on-going effects of discrimination in its marketplace. As noted above, the 2011 Disparity Study found large and statistically significant disparities in the utilization of minority and women business enterprises in public contracting and barriers to participation on public contracts.

[2] The Disparity Study was conducted by a team led by NERA Economic Consulting (NERA) and examined State-funded contract expenditures for FY 2005 through FY 2009, the five fiscal years immediately preceding the study. This Study was accepted by the Maryland General Assembly and forms the basis for Maryland's current MBE law. (SFP Title 14, Subtitle 3.)

Thus, many more minority- owned firms are available to do work than are used on our contracts. The 2011 Disparity Study also shows that minority businesses earn significant less in wages and salaries than their nonminority peers and continue to face discrimination in small business credit market. And on contracts without MBE goals – in the public or private sector, minority businesses are rarely even asked to submit a bid – even by firms they have worked with successfully in the past.

In my job as GOMA Special Secretary, I have had many opportunities to talk to minority businesses about their experiences doing business in the State. Many have shared that they continue to face barriers to working on public and private sector contracts, including stereotypes, false perceptions of incompetence, higher performance standards than their non-minority counterparts, and exclusion from industry networks. In June of 2012, GOMA distributed a survey to local business organizations, groups and business owners seeking feedback on the experiences faced by minority business owners in our local marketplace. The survey asked whether responders had ever been treated less favorably due to race, ethnicity and/or gender while participating or attempting to participate in business dealings within the Maryland marketplace. Most indicated that discrimination had prevented their full and equitable participation in the State's marketplace. Of the 15 categories provided in the survey, all were chosen at least once as an area in which the responders felt they had been discriminated. Indeed, 42 of the 49 minority businesses who responded believe that they have been treated less favorably in working or attempting to work on public and private sector contracts, as prime or subcontractors.

As a Director and Vice-President of the National Association of Minority, Women and Disadvantaged Business Enterprise Directors - an organization dedicated to raising awareness of state M/W/DBE programs and their missions - I can attest that these experiences aren't limited to businesses in Maryland but are common in every region in the country. For example, a disparity study conducted in the Massachusetts region also found both statistical and anecdotal evidence of business discrimination against minority- and women-owned businesses in all major procurement categories examined. Within the local small business credit market, the study found statistically significant discrimination against minority-owned businesses - particularly with respect to firms owned by African-Americans. Specifically, the study found that when minority-owned firms applied for loans, their loans were substantially more likely to be denied than other groups, even after accounting for differences in factors like size and credit history. Moreover, when minority-owned firms did receive a loan, they were charged higher interest rates on the loan that was true of comparable White-owned firms.[3] Of course, Maryland and Massachusetts are not the only jurisdictions with disparity studies confirming the continuing effects of discrimination. There are a considerable number of disparity studies from throughout the country that demonstrate (both through statistical and anecdotal data) the prevalence of discrimination against minority and women business owners in the public and private markets.[4]

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[3] See "Race, Sex and Business Enterprise: Evidence from the Commonwealth of Massachusetts: Volume II," prepared for the Division of Capital Asset Management of the Commonwealth of Massachusetts, NERA, September 2, 2010.

[4] See, e.g., List of Disparity and Availability Studies, Transportation Research Board's "National Cooperative Highway Research Program (NCHRP) Report 644: Guidelines for Conducting a Disparity and Availability Study for the Federal DBE Program," pp. 102-103, completed July 1, 2009.

IV. Conclusion

The persistent underutilization, low wages, and credit market and other business-related discrimination experienced by minorities results in minorities being significantly less likely to own their own businesses and derive the wealth that stems from entrepreurship. This is important – because if we are going to close the growing wealth gap between non-minorities and minorities, then we must confront the discrimination that prevents minority businesses from forming and becoming competitively viable.

Programs like Maryland's MBE Program and the federal DBE Program are vital to this effort but are still only one of many strategies we'll need to ultimately eliminate discrimination and empower minority businesses to reach their full potential. I am confident that if we work together, we can overcome the considerable challenges that face us in this effort. On behalf of GOMA, we appreciate the Committee's leadership on issues of economic justice and minority business inclusion. We respectfully ask that you fully consider our comments and look forward to working with the Committee on these issues.

Zenita Wickham Hurley, Special Secretary

Biographical Profile

Zenita Wickham Hurley was appointed by Governor Martin O'Malley as Special Secretary of the Governor's Office of Minority Affairs in February 2012, and is responsible for policy and oversight of the State's Minority Business Enterprise (MBE) Program. Ms. Hurley coordinates MBE Program accountability activities with over 60 State procurement agencies while working with Maryland's business community to expand opportunities for minority and women-owned firms.

From 2007 to 2012, Ms. Hurley served as the Director of the Office of Minority Business Enterprise at the Maryland Department of Transportation (MDOT), where she administered the statewide certification of minority business enterprises for the Maryland Minority Business Enterprise (MBE) and federal Disadvantaged Business Enterprise (DBE) programs. In this capacity, Ms. Hurley provided policy support and advice to the Secretary as well as MDOT's modal administrations, served as Chair of the MBE Advisory Committee, oversaw Maryland's MBE Utilization Study, provided oversight of the State's online directory of more than 5,500 certified firms, and implemented a state-wide outreach program for the minority business community. Significant achievements during her tenure included creating and implementing process improvements that reduced the turnaround time for processing MBE/DBE certification by nearly 50%, while increasing the number of certified firms by 29%. She also developed and executed a Memorandum of Understanding for streamlining DBE certification for Maryland, District of Columbia and Virginia DBE firms, the first such agreement of its kind in the country. In addition, Ms. Hurley drafted, edited and negotiated legislation enhancing and further developing the Maryland MBE Program for consideration by the Maryland General Assembly.

Ms. Hurley joined the Maryland Department of Transportation in 2005 as an Assistant Attorney General and was responsible for advising the agency on matters concerning MBE and DBE certification, contract monitoring, and compliance with federal and constitutional standards for public contracting affirmative action programs. Prior to beginning her service with the State of Maryland, Ms. Hurley was an attorney in the Child Advocacy Unit of the Legal Aid Bureau in Baltimore, and an Associate with the firm of Steptoe & Johnson, LLP in Washington, D.C. where she focused on issues involving employment, health care and constitutional litigation.

Ms. Hurley graduated magna cum laude from the University of Maryland with a Bachelor of Arts degree in Afro-American Studies and Government and Politics. She received her Juris Doctor degree from the New York University School of Law.

U.S SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

INTRODUCTORY STATEMENT OF

DARRYL HAIRSTON
ASSOCIATE ADMINISTRATOR FOR BUSINESS DEVELOPMENT
U.S. SMALL BUSINESS ADMINISTRATION

BEFORE THE

U.S. SENATE COMMITTEE ON SMALL BUSINESS AND ENTREPRENEURSHIP

SEPTEMBER 18, 2013

Chair Landrieu, Ranking Member Risch and Distinguished members of the Committee, thank you for inviting the U.S. Small Business Administration (SBA) to participate in this Roundtable discussion.

I am Darryl Hairston, Associate Administrator for Business Development at the SBA, where I oversee the 8(a) Business Development Program. I have had the privilege to serve small businesses for over 35 years at the SBA.

Core to our mission at the SBA is expanding opportunities for companies in traditionally underserved communities, including those owned by minorities, women, veterans, people with disabilities, and people from rural areas. These businesses typically have a harder time accessing the tools they need to grow and create jobs in their communities.

Minority communities were especially hit hard by the economic downturn—growing disparities in assets, education, and experience that have an important impact on entrepreneurship rates and small business success.

SBA has a strong commitment to reaching underserved communities and helping all individuals start and grow their businesses. Whether it is helping with access to capital, counseling, or federal contracting, SBA has a number of programs to reach underserved communities.

Contracting with small businesses is one of the most important ways for the federal government to create jobs. The United States government buys over $400 billion each year, making it the largest buyer in the world. And at the SBA, we are strongly committed to providing access and removing barriers for small businesses.

The 8(a) Business Development Program is a business assistance program for small disadvantaged businesses that is essential instrument in helping socially and economically disadvantaged entrepreneurs gain access to the economic mainstream of American society. The program helps thousands of aspiring entrepreneurs to gain a foothold in government contracting. Participation in the program is divided into two phases over nine years: a four-year developmental stage and a five-year transition stage.

Since 2009, the SBA has supported well over $100 billion in federal government contracting to small disadvantaged businesses.

There are two recent studies that SBA will be submitting for the record that look at the competitive disadvantages minority owned-firms suffer when competing for government contracts. One is by Dr. John Wainwright and another is a report by the U.S. Department of Commerce. Both studies demonstrate the need for programs like the 8(a) program.

While I am proud of what the SBA has accomplished alongside this committee in recent years, I believe we must continue to be diligent in our work with underserved communities. We know that with the right tools in hand, entrepreneurs and small businesses in these communities can have a significant impact in driving economic growth, building wealth, and creating jobs where they are needed most.

DARRYL K. HAIRSTON

**ASSOCIATE ADMINISTRATOR
FOR BUSINESS DEVELOPMENT**

WASHINGTON, D.C.

Darryl K. Hairston was appointed Associate Administrator for Business Development in August 2010. In this position, Hairston is responsible for the management of the SBA's 8(a) Business Development (BD) Program. The 8(a) BD Program is an essential instrument for helping socially and economically disadvantaged entrepreneurs gain access to the economic mainstream of American society.

Prior to this appointment, Hairston served in a number of senior management positions including the Associate Administrator for Management and Administration, Acting Administrator, Deputy Associate Administrator for Management and Administration, Assistant Administrator for Administration and Senior Procurement Executive, Deputy Associate Deputy Administrator for Government Contracting and Business Development, District Director of SBA's Washington, DC District Office, Deputy Associate Administrator for Investment, and the Director, Division of Program Certification and Eligibility.

He started his career with SBA in 1978 in the Charleston, West Virginia branch office as a Business Management Specialist. From there, he held various positions in SBA branch, district and headquarters' offices. Prior to joining SBA, Hairston served as the Budget and Marketing Director for the Transportation Division in the Governor's Office of Economic and Community Development for the State of West Virginia.

He is a native of Institute, West Virginia, and holds an MBA from Marshall University, and a bachelor's degree in Business Administration from West Virginia State University.

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US Senate Committee for Small Business and Entrepreneurship
Closing the Wealth Gap: Empowering Minority-Owned Businesses to Reach Their Full Potential for Growth and Job Creation– September 18, 2013
Statement by Dr. Shree Taylor, Managing Partner of Delta Decisions DC

My name is Dr. Shree Whitaker Taylor and I am the Co-Founder and Managing Partner of Delta Decisions of DC. My business is an analytical firm that focuses on the strategic use of data to solve a broad range of organizational and business needs primarily for federal, state and local governments. I received my PhD in Applied Mathematics from North Carolina State University and became an entrepreneur in 2006.

Earlier this summer (May 22, 2013) I joined Senator Mary Landrieu at a roundtable discussion on "*Bridging the Skills Gap: How the STEM Education Pipeline Can Develop a High-Skilled American Workforce for Small Business*". Interestingly, this round table on "*Closing the Wealth Gap: Empowering Minority-Owned Businesses to Reach Their Full Potential for Growth and Job Creation*" is closely related to the round table discussion on "*Bridging the Skills Gap*".

From a logical perspective, we first need to clearly define the problem along with its scope, the constraints and the various parameters that influence and have the highest impact on the desired outcome. As with most complex social and economic problems, the solution should comprise of short- and long-term strategies.

For the most part, we know of the barriers that exist when it comes to being a minority business owner. Two of the largest barriers include limited access to resources and having a limited or non-existent professional network. While strides have been made in closing the gap when it comes to limited access to resources, the problem still has not been solved. The best and most comprehensive resources are available to business owners who are business savvy and are resourceful in digging up relevant information.

Having a solid professional network is a huge asset to any business owner. That network will include other business owners who can act as business mentors, recruiters or staffing agencies to help the business owner develop their workforces, vendors that provide quality services at reasonable prices and many other "advocates" to help the business owner succeed.

To build this network and make the potential business owner aware of the resources available, there need to be programs in place that create an environment where budding young entrepreneurs can learn about how to establish and run a sustainable business with their peers. Their peers will be the foundation of their professional network.

As an active member of a Title I school PTA, I know first hand how the minority population is in need of opportunities to grow and excel. The children at Title I schools come from families that are on free or reduced lunch programs; therefore, their families inherently have a low net worth. Because these children attend Title I schools, they have limited opportunities to be exposed to life changing programs.

As an example, the Jump Start Coalition (jumpstart.org) is a national program dedicated to improving the financial literacy of our Nation's youth. Jump Start has a financially based curriculum designed for teachers that can be delivered in the classroom. The teacher and principal simply need to express an interest in bringing this amazing resource to their school. However, I have found through informal discussions that this resource is not making it into the communities that need it the most. All children deserve to know how to become fiscally fit adults.

Another program is the Network for Teaching Entrepreneurship (nfte.com). This program inspires youth from low-income communities to find their paths to success. NFTE works closely with educators in the target communities to re-engage students in learning while also introducing them to business concepts. Mentors, who include minority business owners, come into the classroom to speak with students on what it takes to start a business and to stay in business. The students have the unique opportunity to engage with business owners, CEOs and others from the corporate management team. This establishes a business foundation for the students and also begins the development of their professional network.

These are only a sample of the positive programs that exist. However, we need to do more to ensure that programs like these are well funded and are reaching the maximum number of students in our low-income communities. Investing in our youth and programs to support their professional development is the only way to close the wealth gap that exists in our society.

Biography of Dr. Shree Taylor

Dr. Taylor is a computational mathematician with degrees from Clark Atlanta University (BS/MS) and North Carolina State University (PhD). Her unique interdisciplinary training allows her the ability to collaborate effectively with professionals from fields other than mathematics, while still being an insightful and independent researcher.

Dr. Taylor has worked in the biomedical field as a research scientist at the National Institute of Environmental Health Sciences (NIEHS/NIH) in Research Triangle Park, NC. While there, she developed complex mathematical and statistical models in the areas of cancer and pharmacokinetic research. During her time at NIEHS, she interacted primarily with biologists and other life scientists to develop realistic biological models. This interaction challenged Dr. Taylor to constantly translate highly technical results to non-mathematical audiences at biomedical conferences. Dr. Taylor also spent time as a guest researcher at The German Cancer Research Center in Heidelberg, Germany.

Dr. Taylor has also worked in the field of national defense as a research analyst at the Center for Naval Analyses in Alexandria, VA. Her time there was spent on projects of interest to the Nation's Defense and the interoperability of our military forces. Dr. Taylor designed methodologies for the data collection and development of mathematical models used in analyses, conducted on-site client interviews, and contributed to presentations delivered to top-ranking Navy officials.

As Co-founder and Managing Partner of Delta Decisions, an Operations Research firm that focuses on Analytics, Dr. Taylor formulates creative and innovative solutions to address the client's needs. She has a unique way of listening to clients and extracting critical information that is used to create a logical and systematic plan of attack. Dr. Taylor has the ability to learn new concepts quickly and creatively leverage various resources to complete tasks with integrity and accuracy. She has inspired and led many Delta Decisions project teams and delivered high quality products on time and within budget. Dr. Taylor leads by example and insists on employees producing high quality at all times. Her no-nonsense attitude sets the tone for professional pride in all employees while emphasizing accountability.

Regional Transit Authority
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www.norta.com

As lead organizer and member of the Collaborative, a group of minority-owned businesses in New Orleans working on issues of economic parity and justice as we rebuild our great city, I am honored to be here today.

One of the biggest challenges to reducing economic disparity is race-neutral policies for inclusion at the local, state and federal level. Small and disadvantaged business programs abound but in the absence of a legally defensible disparity study which meets the standard of "narrow tailoring" set by the US Supreme Court, these programs must be race-neutral. Compellingly, while government agencies, including the SBA, continue to maintain gender-specific program goals for women-owned businesses, programs for minority-owned businesses are hidden within small and disadvantaged business programs where businesses owned by White women are the primary beneficiary. First and foremost, to end the economic disparity between White citizens and citizens of color, we must be able to target intervention to businesses owned by citizens of color. This requires a legally defensible disparity study which must be updated annually to remain relevant. If nothing else, the regional SBA officers should make this a funding priority, particularly in urban areas with high concentrations of minorities.

Behind targeted interventions, access to capital remains an unassailable obstacle for minority-owned businesses. Compellingly, the SBA's loan guarantee program works through the for-profit banks in the mainstream capital market and as such there is no flexibility in the underwriting criteria. In other words, if you can't get a loan from a bank, you can't get an SBA guaranteed loan. The program works only for the banks, reducing their risk at the tax payers expense. At the same time the Department of Treasury has reprogramed Community Development Financial Institution (CDDFI) funding to New Market Tax Credits that support big businesses, big developers, and again big banks. The non-profit CDFIs that support small and minority-owned businesses struggle for lending and technical assistance capital while banks and big businesses get tax credits Notwithstanding the potential for job creation associated with tax credits, these programs do little if anything to create wealth within minority communities.

To the issue of capacity let me say that in the next 24 to 36 months over $3 billion in federal dollars will be spent in the city of New Orleans – building new schools, a new sewer and water system, a new international airport, new hospitals and clinics, and new streetcar lines. While each one of these multi-million dollar project will have a goal for participation by disadvantaged businesses, what we know from our post-Katrina rebuilding efforts is that businesses owned by minorities will be left out of the wealth creation opportunities because of the lack of capacity to participate on large capital projects. We need to build the capacity of minority-owned businesses to compete in this marketplace and for less than 1% of a $3 billion investment in capital infrastructure we can build a mentor/protégé program to invest in minority-owned businesses. Clearly we're not the last city to rebuild. Clearly they'll be others, there already has. But we can be a testing ground for economic equity in post-disaster recovery.

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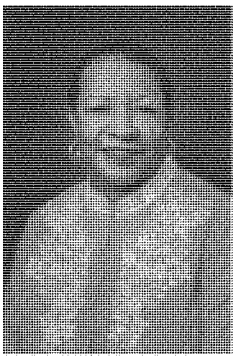
Finally, because minority-owned business have limited access to capital, prompt payment provisions in federal policies are critical. Access capital through non-profit and alternate capital markets is costly – a cost that can be offset with timely receivables. Every agency at every level should be able to pay their vendors with 30 days, and should require their prime contractors to pay subcontractors in five. For minority-owned businesses that have limited access to contract financing and bank lines of credit, prompt payment is the difference between staying in business and closing the doors.

Barbara C. Major



Barbara Crain Major

Barbara Major is a community organizer and trainer with over thirty years' experience in many local, national, and international community development efforts. This work includes everything from nurturing leadership development efforts within local communities to assisting institutions in developing strategies to de-institutionalize racism.

Originally trained in Sociology, Barbara is a native of New Orleans and Franklinton Louisiana. Until Hurricane Katrina, Ms. Major served as the chair of the St. Thomas /Irish Channel Consortium, a nationally acclaimed model for holistic community and institutional transformation. For 12 years she was Executive Director of the community driven and controlled St. Thomas Health Clinic. To this day, the St. Thomas Health Clinic continues to serve the Greater New Orleans underserved and underinsured population.

She is a core trainer for The People's Institute for Survival and Beyond. She connects her local organizing to training in anti-racism for people and institutions that live in or work with struggling communities.

Ms. Major served as Co-Chair of the Mayor of New Orleans' Bring Back New Orleans Commission. She is a co-founder of Citizens United for Economic Equity, A CDFI small business lending institution. The organization was founded by New Orleanians to ensure equitable African American community participation in the rebuilding of New Orleans.

Barbara served as Chairwoman of the Regional Transit Authority Board of Commissioners and is currently a member of that Board. Ms. Major's latest published work is titles "Building a Net that Works" in the book State of the Race. She has received numerous awards and citations for her achievements, but says her family is the greatest award that God has given her.

Senate Committee on Small Business and Entrepreneurship

Closing the Wealth Gap: Empowering Minority-Owned Businesses to Reach Their Full Potential for Growth and Job Creation

September 18, 2013

Connie E. Evans
on behalf of the Association for Enterprise Opportunity (AEO)

Thank you Chair Landrieu, Ranking Member Risch and Members of the Committee for the opportunity to be a part of this important roundtable. I further commend the Committee for its commitment to this important topic and the publication of the *Wealth Gap in the United States* Report. I am speaking today in my capacity as President and CEO of the Association for Enterprise Opportunity (AEO), the national member organization and voice of microbusiness in the United States. For more than 21 years, AEO and its more than 400 members and partner network of nonprofit lenders and business development organizations have provided critical access to capital and business counseling to underserved entrepreneurs and microbusinesses all across the country.

I want to start by drawing on remarks Labor Secretary Thomas Perez made recently, in which, referring to the equality of opportunity to work, he said, "For a moment I celebrated how far we have come and then I remembered that we also have a long journey still to complete." In the five decades since the March on Washington, many social, economic, and color barriers have been broken. However, the nation is faced with a growing wealth gap today that has crippling effects on communities and livelihoods, particularly on Main Street communities.

According to a 2013 Brandeis University study, the wealth gap between whites and African-Americans has tripled over the last 25 years, due to inequality in home ownership, income, education, and inheritances.[1] To put the size of the wealth gap into context, as the Committee report notes, the typical African-American household

[1] Racial Wealth Gap Project, Institute on Assets and Social Policy (ISAP), Brandeis University, http://iasp.brandeis.edu/research/wealthgap.html.

had a net worth of only $6,314 compared to the average white household, which had net worth of $110,500.

The Power of Entrepreneurship

At AEO, we view entrepreneurship, particularly microbusiness, as a way to generate income and as a means of closing the widening wealth gap. A microbusiness is defined as enterprises with fewer than five employees. One business, one job can change the trajectory of one family, one community, or one city.

In fact, according to AEO's *The Power of One in Three* report, the median net worth of business owners is almost two and a half times greater than that of non-business owners.[2] For an African-American male, the difference is nearly eight times higher for business owners compared to non-business owners; for an African-American woman, the difference is more than ten-fold; for an Hispanic male, the difference is five-fold.

In that same report, AEO found that if just one in three microbusinesses hired a single employee, the U.S. would be at full employment. The benefits of entrepreneurship are evident, and yet, microbusinesses often encounter barriers when attempting to access capital and services to start, grow or hire. At the crux of the capital and services quagmire is assets. That is individuals with low or insufficient net worth or collateral simply have no assets with which to secure a loan.

Solutions to Deliver Capital and Services to Main Street

While entrepreneurship is a tool for wealth and job creation, many aspiring and existing business owners stumble on the road to get the capital and services they need.

AEO has launched a strategy that links diverse stakeholders in order to mobilize and channel technology, capital and other resources on behalf of Main Street, micro and solo businesses. This strategy is a pillar of AEO's One in Three Initiative, a broader effort to change the way that capital and services flow to underserved entrepreneurs so that they can start, grow and hire.

In 2012, AEO launched TILT Forward™, an online suite of capital and services solutions. The TILT Forward™ platform represents the opportunity to unlock billions of dollars of private capital for small and microbusiness lending and services through existing infrastructure of not-for-profit lenders and commercial banks by resolving structural barriers to scale. But simply moving money is not our goal. We seek to restore vibrant Main Streets in communities throughout the country and to

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[2] The Power of One in Three, The Association for Enterprise Opportunity, 2011, http://www.oneinthree.biz/documents/OneInThree_WebBrochure.pdf.

ensure that no one who seeks economic opportunity through business ownership or entrepreneurship is left behind. Further, we believe that TILT Forward™ can play a significant role in addressing un- and under-employment, income inequality and racial and ethnic disparities.

AEO has focused efforts on assembling a network of partners from the private and nonprofit sectors. These partnerships represent the unique combination of capabilities and assets required to build a new system for microlending to Main Street. One of those partners is On Deck Capital, which uses in-house proprietary analytics to provide working capital loans of up to $150,000 to businesses.

Strengthening the Entrepreneurial Ecosystem

Hand in hand with low net worth and the lack of capital access, is the limited availability of business assistance services, such as coaching and support related to many aspects of management and operation. In fact, AEO has found that businesses that received capital and services from a non-profit organization had median annual revenue growth 30 percent higher than businesses that did not.[3] They also tend to be more successful: 88 percent are still in business after five years, compared to a 50 percent success rate among businesses that did not.[4]

We must ensure that there is adequate access to training and business-support services geared towards those who need it the most. In addition to accessing capital through TILT Forward™, microbusinesses can request technical assistance and critical business-support services from AEO member organizations. In effect, the platform has been designed to serve as a virtual "one-stop shop" for entrepreneurs and budding microbusinesses that face significant barriers to entry.

AEO believes the government plays a vital role in supporting underserved entrepreneurs through its various programs. These programs include the Program for Investment in Micro-Entrepreneurs (PRIME), the Microloan Program (SBA), Women's Business Centers (SBA), Small Business Development Centers (SBA), the Community Development Financial Institutions Fund (Treasury), the Rural Microentrepreneur Assistance Program (USDA), and the Department of Labor's Employment & Training Administration.

Conclusion

AEO is dedicated to helping individuals create wealth through entrepreneurship. At AEO, we know that starting a business is job creation. As the *Power of One in Three* shows, entrepreneurship is a means to a job and remains one of the best ways to establish financial security, create wealth, and close the wealth gap. Collaboration

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[3] The Power of One Business, The Association for Enterprise Opportunity, 2011, www.aeoworks.org.
[4] FIELD/The Aspen Institute, "Facts About Business Ownership," http://fieldus.org/Stories/FastFacts.html.

between the public and private sectors can play a critical role in creating jobs, both through models such as the TILT Forward™ platform and government programs such as those at the Small Business Administration.

Strengthening these services and programs, while exploring ways to increase access to capital to microbusinesses will go a long way in enhancing the entrepreneurial ecosystem for underserved entrepreneurs looking to start, operate, and grow businesses – and unleash *The Power of One in Three.*

CONNIE EVANS

PRESIDENT AND CEO
ASSOCIATION FOR ENTERPRISSE OPPORTUNITY

ARLINGTON, VA.

Connie Evans is the President and CEO of the Association for Enterprise Opportunity (AEO), the national nonprofit organization and business trade association representing the U.S. microenterprise development industry.

In 1986 she was the founding president of the award-winning Women's Self-Employment Project, the first and largest urban microenterprise development organization in the U.S. and the first adaptation of the Grameen Bank model to a U.S. urban setting. Evans also pioneered one of the first matched-savings program -- Individual Development Accounts -- in the country. In 2000 she founded WSEP Ventures, a social enterprise-hybrid organization developed to serve as a catalyst for social change, economic development and community empowerment. At WSEP Ventures, Evans launched Capital Bridge C3, a fellowship program supporting emerging social entrepreneurs. And in 2007, Evans founded CSolutions Consulting, an advisory boutique specializing in solutions that address social change.

An international development consultant, with over 25 years of experience, she has been recognized and utilized by such groups as the World Bank, the Clinton Administration, a host of local government and private and independent sector organizations. With international experience spanning 43 countries, Evans draws on her expertise in developing and implementing strategies to further economic development, health and social change in communities.

Evans' broad experiences across the worlds of business and finance compliments her skills in development finance. She served two elected terms on the Board of the Federal Reserve Bank of Chicago, and was the first African American woman to hold such a position. Evans was appointed by President Clinton to the CDFI Advisory Board, a fund in the Department of the Treasury. She also received appointments from President Clinton to the U.S. Delegation to preparatory meetings for the Summit of the Americas, to the U.S. Delegation to preparatory meetings for the United Nations Fourth World Conference on Women in Beijing, and again for Beijing Plus Five.

A strong advocate of good governance in nonprofits, Evans has nearly 20 years of service on philanthropic foundation boards, and serves on a number of national and international boards including the Social Venture Network. She is also the Chair of the Chicago Committee for the African Women's Development Fund, based in Ghana.

Likely to Discuss

- In 1986 Ms. Evans was the founding president of the Women's Self-Empowerment Project; therefore she is likely to discuss the wealth gap that persists between women of color and white women. She is also likely to discuss the wealth gap that exists between women and men.

- As a trained psychologist, Ms. Evans understands the relationship between the lack of economic prosperity and opportunity and mental illness (particularly depression). She is likely to discuss her experience and commitment to improving the health and life options of women of color, particularly in the area of business development. She is likely to offer solutions to the wealth gap, taken from her experience in helping the women of the first resident managed public housing site in the City of Chicago.

RCI Technologies, Inc.
1133 Green Street, Iselin, NJ 08830 USA *Tel. (732) 382-3000 *Fax (732) 839-0448

I am Anisa Balwani, Owner and President of RCI Technologies, Inc. We are headquartered in Iselin, NJ with branch offices in Maryland and Texas. RCI Technologies was established in 1983 and we provide Information Technology Professional Services nationwide to major corporations and government agencies. RCI Technologies specializes in Project Management, Network and Systems Design, Application and Software Development, Technical Support and Staff Augmentation.

I have built a strong company and have faced many challenges during the years. In the 90's, technology industry was primarily a male dominated industry. In 2001, we were faced with the 9/11 attack which impacted the business tremendously. Our clients began focusing on security issues and were choosing IBM, Accenture and many large corporations. I worked very hard and was resilient. Later, we experienced the huge wave of IT outsourcing and I persuaded my clients to understand that RCI can provide a cost-effective approach to the projects and these projects can be developed within the United States. Competing with the large IT corporations continues to be a challenge for a small business owner.

Over the years, RCI Technologies has built a strong reputation in the industry. As the owner, I am committed to providing an extraordinary level of customer satisfaction with honesty and integrity. I am the board of trustee for the New Jersey Association of Women Business Owners, (NJAWBO), I serve on the Governing Forum Board for the Women Business Enterprise National Council, (WBENC); I serve on the Certification Committee for WBENC to ensure that women business owners are in compliance and help them with the certification process. I am a member of the US Pan Asian American Chamber of Commerce, (USPAACC), member of the National Minority Supplier Development Council, (NMSDC) and the Women Presidents Organization (WPO).

RCI Technologies is certified by the State of New Jersey and by several prestigious entities as a minority woman-owned enterprise. RCI has a contract with the U.S. General Services Administration IT Schedule 70. We have graduated from the U.S. Small Business Administration 8(a) Program. I currently mentor and support start up women owned businesses. I provide the knowledge of the 8(a) Program and various certifications.

RCI Technologies, Inc.

Anisa Balwani
President

Anisa Balwani is the owner of RCI Technologies, Inc. and is a results driven business professional with over 25 years of experience. She has successfully established trusting relationships with clients, resulting in increased business. Anisa is an enthusiastic, self-motivated and accomplished entrepreneur with many years of managerial, sales and marketing experience. Anisa has exemplary skills in business development, sales, proposal delivery, pricing/budgeting, and operations management as demonstrated in the growth of RCI Technologies, Inc. She has outstanding analytical, problem solving and communication skills with a successful track record of assisting at all levels of her organization as is often done in the growth of a small business.

RCI Technologies, Inc. provides Information Technology Professional Services and Software Development nationwide. RCI is headquartered in Iselin, NJ with branch offices in Olney, Maryland and Houston, Texas. RCI is the proud winner of numerous excellence awards; one of the award was in 2009, US Pan Asian American Chamber of Commerce - Fast 50 Asian American Business Excellence Award.

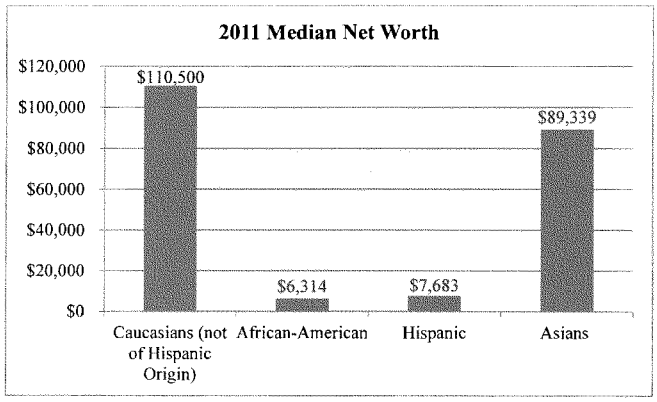
Anisa is a graduate of the Executive Management Programs at the Amos Tuck School of Business and the Kellogg Graduate School of Management.

Anisa serves on the Governing Forum Board of the Women's Business Enterprise National Council (WBENC) the Steering Committee of the Women's President Educational Organization and is the member of the Women Presidents Organization, (WPO). Anisa serves as the board of trustee for the New Jersey Association of Women Business Owners., (NJAWBO) and is the member of the US Pan Asian American Chamber of Commerce, (USPAACC). Anisa is an advocate for small, minority and women owned businesses. She resides in Edison, NJ with her husband and two children.

Wealth Gap Report

EXECUTIVE SUMMARY

Inequality manifests itself in a variety of ways, including the significant wealth gap between Caucasians and minorities. Minorities earn lower incomes and have less wealth over time. In 2011, the median net worth (i.e., wealth) of Caucasians (not of Hispanic origin) was $110,500, compared to $6,314 for African-Americans, $7,683 for Hispanics, and $89,339 for Asians. The wealth gap hinders minorities' ability to create, maintain, and grow their small firms, which negatively impacts the entire economy.



Small businesses serve as a vessel for wealth creation for most Americans. According to the U.S. Small Business Administration's Office of Advocacy, small businesses created 64 percent of new jobs between 1993 and 2011. In 2010 alone, small businesses employed 55 million Americans.

The U.S. Census Bureau estimates that minorities will comprise 57 percent of the population in 2060, a dramatic increase from the current 37percent. In light of the projected changes in America's composition, minority-led firms are expected to continue to play an important role in maintaining the strength of America's economy.

Factors that contribute to the wealth gap are:

A. Homeownership

For most American families, their most valuable asset is their home. In 2004, 76 percent of Caucasians, 60 percent of Asians, and fewer than 50 percent of African-Americans and Hispanics owned a home. The disparity in demographic homeownership continued in 2010; below is Census homeownership data for nearly 117 million households. Homeownership impacts the amount of capital available to start a business. Dr. Robert Fairlie, Professor of

Economics at the University of California at Santa Cruz, concluded that a "10 percent annual increase in housing equity increases the mean probability of entrepreneurship by 17 percent."

B. Generational Wealth Transfers

Minorities' lack of assets and inherited wealth impacts their attainment of capital to start, maintain, or grow a small business. In fact, 82 percent of minority small business owners open sole proprietorships, compared to 71 percent of Caucasians. Thus, minority small business owners have to rely on personal equity to a greater degree, which can be difficult due to the wealth gap and lack of inherited wealth.

C. Asset Diversity

A diversified portfolio is essential for wealth creation and small business growth. As of 2009, 24 percent of both Hispanics and African-Americans sole asset was a motor vehicle, while only 6 percent of Caucasians had such a limited portfolio.

D. Education

Education is fundamental for economic advancement and teaches entrepreneurial tools in order to accumulate wealth. According to the Consumer Financial Protection Bureau, a significant amount of student debt can limit the ability to open a small business. The Department of Education found that the median and average student debt levels vary by demographic; African-Americans took out the highest amount of student loan debt.

E. Lending Inequalities

Minorities face lender discrimination, which in turn impacts their ability to open or expand a small firm as well as attain wealth. In 2010, 15.2 percent of Caucasians did not apply for a small business loan due to fear, compared to 38.8 percent of African-Americans and Hispanics. This trend also existed along gender lines, with 21.1 percent of women not applying compared to 17.8 percent of men.

F. Professional Networks

Access to effective professional networks is critical to a small firm's success, because they open access to capital, contracting, trade, and counseling, which in turn can increase an entrepreneur's wealth. However, minorities do not have the historical access to such networks. The SBA Office of Advocacy issued a report detailing that venture capital (VC) firms are more likely to do business with firms that are within the VC network. However, when VC firms stepped outside their professional network to work with more women-owned small businesses their profits increased.

G. Language Barriers

Language barriers can hinder potential small business owners from utilizing government entrepreneurship resources. Currently, SBA's national resource guide is written in English; although, district offices have the choice of providing multi-lingual materials for their geographic area.

H. Unemployment

The unemployment rate is disparate among demographics and can hinder wealth accumulation. The U.S. Bureau of Labor Statistics' June 2013 unemployment rates are organized by demographic in the below chart.

Group	June 2013 Unemployment Rate
Caucasians	6.8%
African-Americans	14.3%
Hispanics	9.1%
Asians	5%
Native Hawaiian or other Pacific Islanders	6.1%
Native Americans	12.8%

I. Internet Access

Small businesses need access to broadband in order to stay afloat in today's economy. The Census found a demographic disparity on the rate of Internet usage between 2000 and 2011. Below are charts detailing this data:

2000

Group	Percent of Population Internet Use
Hispanic	23.6%
African-American	23.6%
Caucasian	46.1%
Asian	56.2%

2011

Group	Percent of Population Internet Use
Hispanic	58.3%
African-American	56.9%
Caucasian	76.2%
Asian	82.7%

Since becoming Chair of the U.S. Senate Committee on Small Business and Entrepreneurship, Senator Landrieu has held 5 hearings and roundtables to examine the wealth gap. These discussions have focused on several aspects of the minority wealth gap and its effect on American small businesses and America's economy. The information contained within this report should provide a launching pad for legislators, policy advocates and stakeholders to work toward putting forth the best ideas to solve these problems.

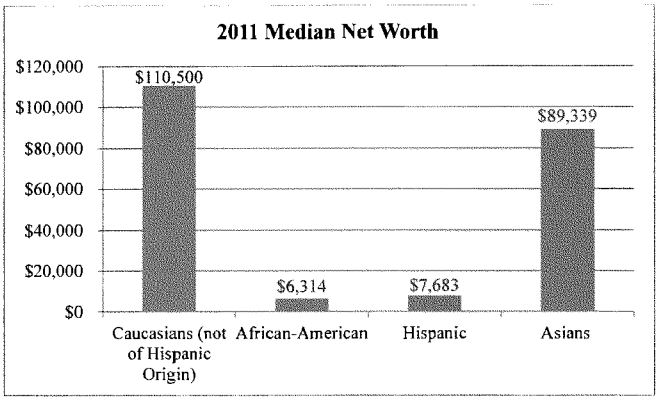
U.S. SENATE COMMITTEE ON SMALL BUSINESS & ENTREPRENEURSHIP

Senator Mary L. Landrieu, Chair

Majority Committee Report: The Wealth Gap in the United States[1]

I. Introduction

Inequality manifests itself in a variety of ways, including the significant wealth gap between Caucasians and minorities.[2] Minorities earn lower incomes and have less wealth over time.[3] In 2011, the median net worth (i.e., wealth) of Caucasians (not of Hispanic origin) was $110,500, compared to $6,314 for African-Americans, $7,683 for Hispanics, and $89,339 for Asians.[4] The wealth gap hinders minorities' ability to create, maintain, and grow their small firms, which negatively impacts the entire economy.



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[1] The Chair would like to thank Irma L. Palmer and Kristen Bushnell for writing this report. She would also like to thank Shadawn Reddick-Smith, Julia Walters, and Bradley Williams for their work as research fellows.

[2] Wealth and income are not synonymous with one another. Income refers to people's earnings from work, interest, and dividends. Wealth refers to the difference of total assets and liabilities an individual (or typically, a family) has been able to accumulate over an extended period of time.

[3] "Detailed Tables on Wealth and Asset Ownership." Census. 2011. United States Census Bureau. July 2013. <http://www.census.gov/people/wealth/data/dtables.html.>.Asian American net worth is not recorded by ethnicity and Native American wealth data is put into the "other" category by the Census.

[4] "Detailed Tables on Wealth and Asset Ownership." Census. 2011. United States Census Bureau. July 2013. <http://www.census.gov/people/wealth/data/dtables.html.>.Some analysts use the Federal Reserve Board Survey of Consumer Finance for wealth data, which asks different questions about wealth accumulation. Whether one is using the Federal Reserve or the Census' numbers the trend of the wealth gap amongst racial demographics is maintained.

Small businesses serve as a vessel for wealth creation for most Americans. Between 1993 and 2011, small businesses created 64 percent of new jobs.[5] In 2010 alone, small businesses employed 55 million Americans.[6]

Minorities will comprise 57 percent of the population in 2060, a dramatic increase from the current 37percent.[7] In light of the projected changes in America's composition, minority-led firms are expected to continue to play an important role in maintaining the strength of America's economy. The chart below details how minority firms are a strong component of the economy.[8]

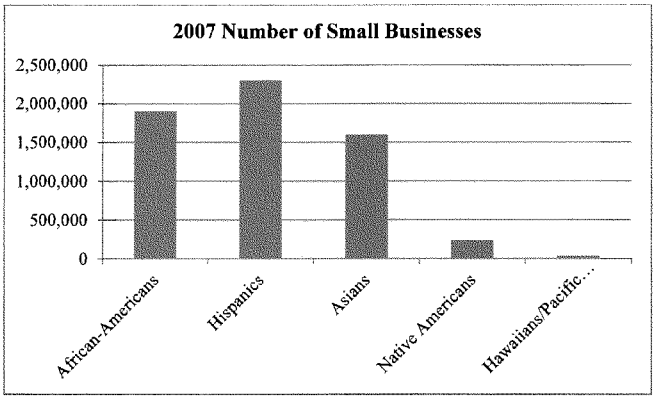
Group	**2007 Number of Small Businesses**	**2007 Total Receipts**	**2007 Number of Employees**
African-Americans	1.9 million	$97,145,000,000	910,000
Hispanics	2.3 million	$279,921,000,000	1.9 million
Asians	1.6 million	$453,574,000,000	2.8 million
Native Americans	237,000	$27,494,000,000	185,000
Hawaiians/Pacific Islanders	38,000	$5,250,000,000	38,000

[5] "Frequently Asked Questions." U.S. Small Business Administration Office of Advocacy. September 2012. U.S. Small Business Administration Office of Advocacy. July 2013. <http://www.sba.gov/sites/default/files/FAQ_Sept_2012.pdf>

[6] "Small Business Profile." U.S. Small Business Administration Office of Advocacy. February 2013. U.S. Small Business Administration Office of Advocacy. July 2013 <http://www.sba.gov/sites/default/files/us12.pdf >

[7] "U.S. Census Bureau Projections Show a Slower, Older, More Diverse Nation a Half Century from Now." Census. 12 December 2012. U.S. Census Bureau. July 2013. <https://www.census.gov/newsroom/releases/archives/population/cb12-243.html>

[8] Small Business Profile." U.S. Small Business Administration Office of Advocacy. February 2013. U.S. Small Business Administration Office of Advocacy. July 2013 <http://www.sba.gov/sites/default/files/us12.pdf >


2007 Number of Small Businesses
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2,000,000
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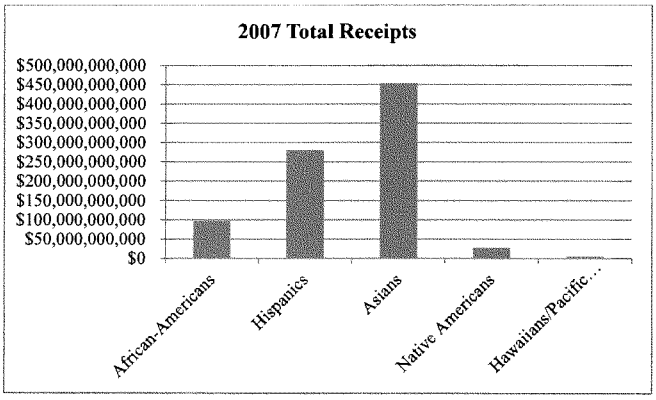
African-Americans
Hispanics
Asians
Native Americans
Hawaiians/Pacific…


2007 Total Receipts
$500,000,000,000
$450,000,000,000
$400,000,000,000
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$250,000,000,000
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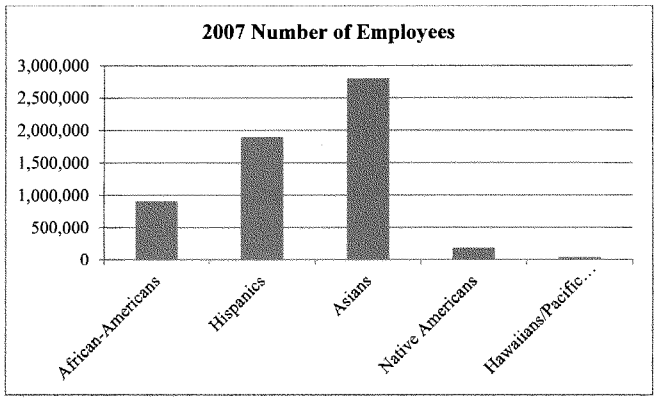
African-Americans
Hispanics
Asians
Native Americans
Hawaiians/Pacific…



First, the report identifies some factors that contribute to the wealth gap. Second, it summarizes testimony from five hearings and roundtables about the wealth gap. Finally, the report concludes with additional organizations' policy recommendations aimed at minimizing this gap.

II. Factors Contributing to the Wealth Gap and Obstacles for Small Business Growth

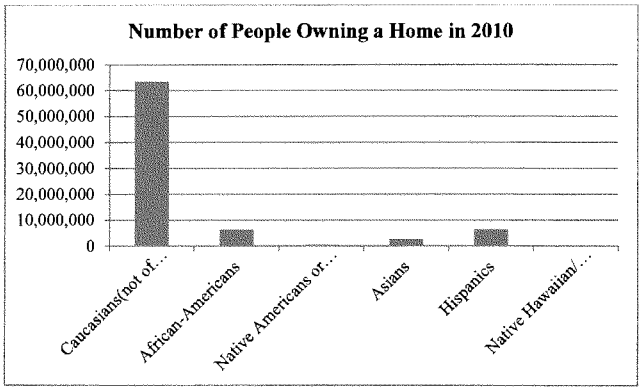
A. Homeownership

For most American families, their most valuable asset is their home. By owning a home, a family accumulates wealth by paying off their mortgage as well as building wealth and home equity, even if the price of the home does not increase. This equity can be used to secure a loan, fund a college education, finance a retirement, or start a small business. In 2004, 76 percent of Caucasians, 60 percent of Asians, and fewer than 50 percent of African-Americans and Hispanics owned a home.[9] The disparity in demographic homeownership continued in 2010; below is Census homeownership data for nearly 117 million households[10]:

[9]Duda, Mark, Haurin, Donald, Herbert, Christopher, Rosenthal, Stuart. "Homeownership Gaps Among Low-Income and Minority Borrowers and Neighborhoods." U.S. Department of Housing and Urban Development. March 2005. U.S. Department of Housing and Urban Development. July 2013. <http://www.huduser.org/portal/publications/HOMEOWN/HGapsAmongLInMBnN.html >

[10] "Tenure by Race of Households." U.S. Census Fact Finder. 2010. U.S. Census Bureau. July 2013. <http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=DEC_10_SF1_H14&prodType=table >Data for all demographics in the table, except for the Hispanic population, were found at this source.

Group	Number of People Owning a Home in 2010
Caucasians (not of Hispanic origin)	63,446,275
African-Americans	6,261,464
Native Americans or Alaska Natives	509,588
Asians	2,688,861
Hispanics[11]	6,368,449
Native Hawaiian and other Pacific Islanders	61,911



Recent volatility in the housing market has disproportionately harmed minority communities. At a financial summit in 2012, Federal Reserve Chairman Ben Bernanke stated two discriminatory practices that made the financial downturn worse for minority Americans: "One is redlining, in which mortgage lenders discriminate against minority neighborhoods, and [the second is] pricing discrimination, in which lenders charge minorities higher loan prices than they would to comparable non-minority borrowers."[12] This reflects a historical trend. A 1998 study conducted by the Department of Housing and Urban Development found that blacks carried a greater proportion of subprime mortgages, "In predominantly black neighborhoods, the high-cost subprime lending accounted for 51 percent of home loans in 1998 - compared with

[11] "Tenure by Race of Households." U.S. Census Fact Finder. 2010. U.S. Census Bureau. July 2013. < http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>Data for the Hispanic population was found at this source.

[12] Waldron, Travis. "Federal Reserve Chair: Discriminatory Lending Made Housing Crisis Worse for Minorities." Think Progress 16 November 2012. 29 July 2013<http://thinkprogress.org/economy/2012/11/16/1203241/bernanke-discriminatory-lending/?mobile=nc>

only 9 percent in predominately white areas."[13] This study also found that African-American homeowners made up 13 percent of the subprime mortgage market, but only 5 percent of the entire mortgage market.[14] Furthermore, African-Americans had 33 percent of all refinanced mortgages compared to only 8 percent for Caucasian borrowers.[15] Continuing this historical trend, in 2011, the Center for Responsible Lending found that, "among borrowers with a FICO score of over 660, African Americans and Hispanics received a high interest rate loan more than three times as often as white borrowers."[16] In July 2012, the U.S. Department of Justice (DOJ) settled with Wells Fargo Bank over claims that the bank consistently discriminated against qualified African-American and Hispanic borrowers.[17]

While the Great Recession reduced all Americans' wealth held in home equity, minorities saw even greater declines. Per the Pew Research Center, below is a chart that details this data.[18]

Group	**Percent Median Home Equity Decline**	**2005 Median Home Equity**	**2009 Median Home Equity**
Hispanics	51%	$99,983	$49,145
Asians	32%	$219,742	$150,000
African-Americans	23%	$76,910	$59,000
Caucasians	18%	$115,364	$95,000

[13] "Unequal Burden: Income & Racial Disparities in Subprime Lending in American." U.S. Department of Housing and Urban Development. April 2000. U.S. Department of Housing and Urban Development. July 2013. <http://www.huduser.org/Publications/pdf/unequal_full.pdf >

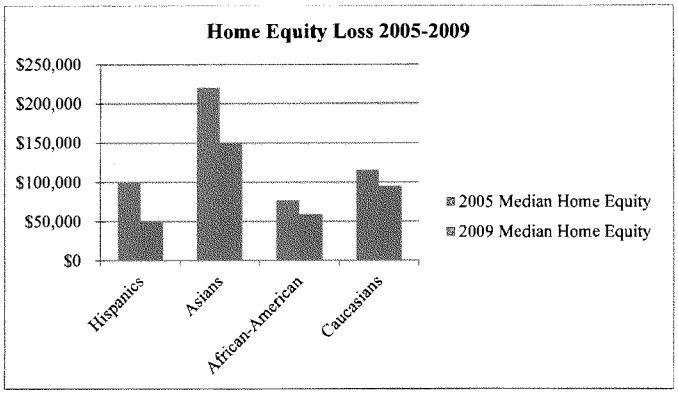
[14] "Unequal Burden: Income & Racial Disparities in Subprime Lending in American." U.S. Department of Housing and Urban Development. April 2000. U.S. Department of Housing and Urban Development. July 2013. <http://www.huduser.org/Publications/pdf/unequal_full.pdf >

[15] "Unequal Burden: Income & Racial Disparities in Subprime Lending in American." U.S. Department of Housing and Urban Development. April 2000. U.S. Department of Housing and Urban Development. July 2013. <http://www.huduser.org/Publications/pdf/unequal_full.pdf >

[16] Bocain, Debbie; Quercia, Roberto. "Lost Ground, 2011. Disparities in Mortgage Lending and Foreclosures." Center for Responsible Lending. November 2011. Center for Responsible Lending. <http://www.responsiblelending.org/mortgage-lending/research-analysis/lost-ground-2011.html> A FICO score of 660 or above indicates a reliable borrower eligible for lower interest rates.

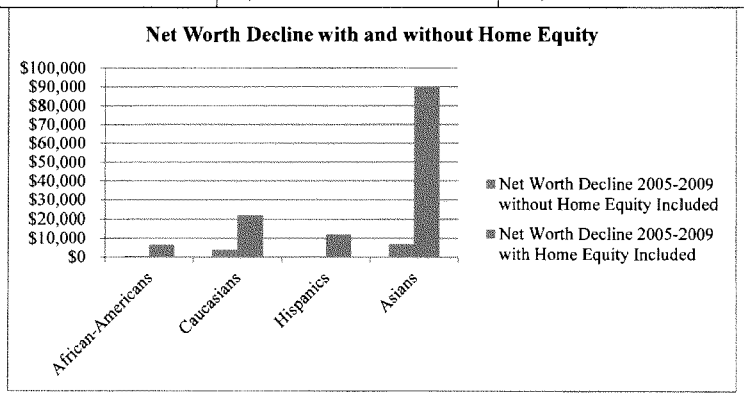
[17] "Justice Department Reaches Settlement with Wells Fargo Resulting in More Than $175 Million in Relief for Homeowners to Resolve Fair Lending Claims." U.S. Department of Justice. 12 July 2012. U.S. Department of Justice. July 2013. <http://www.justice.gov/opa/pr/2012/July/12-dag-869.html >

[18] Fry, Richard; Kochhar, Rakesh;Motel, Seth;Taylor, Paul; Velasco, Gabriel. "Wealth Gap Rise to Record Highs Between Whites, Blacks and Hispanics." Pew Social Trends. 26 July 2011.Pew Research Center. July 2013< http://www.pewsocialtrends.org/files/2011/07/SDT-Wealth-Report_7-26-11_FINAL.pdf >
Statistics on other minority groups, such as Native Americans, were not available.



The Pew Research Center also found that among all households, Asians experienced the most significant decline in net worth due to reduced home equity[19]:

Group	Net Worth Decline 2005-2009 without Home Equity Included	Net Worth Decline 2005-2009 with Home Equity Included
African-Americans	$626	$6,477
Caucasians	$3,792	$21,843
Hispanics	$479	$12,034
Asian	$6,837	$90,037



[19] Numbers are expressed in 2009 dollars

Homeownership impacts the amount of capital available to start a business. Dr. Robert Fairlie, Professor of Economics at the University of California at Santa Cruz, concluded that a "10 percent annual increase in housing equity increases the mean probability of entrepreneurship by 17 percent."[20] Since many banks require potential borrowers to use their home equity as collateral in order to obtain a small business loan - reduced homeownership and declining home equity disproportionately impact minorities' ability to start or grow their own businesses.

B. Generational Wealth Transfers

Transfers of wealth between generations are more prevalent among Caucasians than minorities. An Urban Institute study concluded that African-Americans and Hispanics are five times less likely to receive inheritances from family members than Caucasians.[21] The Urban Institute also found that "large gifts and inheritances received over the past ten years account for 12 percent of the difference in wealth between whites and blacks."[22] The lack of generational wealth transfers impacts the ability to start, grow, and maintain a small business.

Inheriting a business is a form of wealth inheritance. Dr. Fairlie's book cites a study that shows: small business owners who inherited their business were more likely to survive and to have higher overall sales than those businesses that did not.[23]

Minorities' lack of assets and inherited wealth impacts their attainment of capital to start, maintain, or grow a small business. In fact, 82 percent of minority small business owners open sole proprietorships, compared to 71 percent of Caucasians.[24] Thus, minority small business owners have to rely on personal equity to a greater degree, which can be difficult due to the wealth gap and lack of inherited wealth. A 2007 Bates study found that "21.2% of black firms borrowed from family members and that the average amount borrowed was $18,306. A larger percentage of white borrowers obtained loans from family members -- 26.8% and for a higher

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[20] Fairlie, Robert; Krashinsky, Harry. "Liquidity Constraints, Household Wealth, and Entrepreneurship Revisited." UCSC Economics Department. August 2011. University of California, Santa Cruz. July 2013. <http://economics.ucsc.edu/research/downloads/liquidity62.pdf >

[21] McKernan, Signe-Mary;Ratcliffe, Caroline; Simms, Margaret; Zhang, Sisi. "Do Financial Support and Inheritance Contribute to the Racial Wealth Gap." Urban Institute. September 2012. Urban Institute. July 2013<http://www.urban.org/UploadedPDF/412644-Do-Financial-Support-and-Inheritance-Contribute-to-the-Racial-Wealth-Gap.pdf>

[22] McKernan, Signe-Mary;Ratcliffe, Caroline; Simms, Margaret; Zhang, Sisi. "Do Financial Support and Inheritance Contribute to the Racial Wealth Gap." Urban Institute. September 2012. Urban Institute. July 2013<http://www.urban.org/UploadedPDF/412644-Do-Financial-Support-and-Inheritance-Contribute-to-the-Racial-Wealth-Gap.pdf>

[23] Fairlie, Robert, Alicia Robb. Race and Entrepreneurial Success. (London: The MIT Press, 2008) 112.

[24] "The New Agenda for Minority Business Development." Kauffman Foundation. Kauffman Foundation. July 2013.<http://www.kauffman.org/research-and-policy/new-agenda-for-minority-business-development.aspx>

average amount -- $35,446."[25] Thus, a minority-owned small business owner is less likely to receive capital assistance from a family member; if the minority owner does receive capital assistance from within the family, he or she typically receives less than Caucasians.

C. Asset Diversity

A diversified portfolio is essential for wealth creation and small business growth. Asset diversification allows an investor to increase her wealth by investing in different assets classes, such as stocks, bonds, currency, and real estate. Asset diversity also works to preserve wealth by ensuring that a decrease in the value of one asset class does not undermine the total value. Furthermore, it helps small businesses attain startup capital. As of 2009, 24 percent of both Hispanics and African-Americans sole asset was a motor vehicle, while only 6 percent of Caucasians had such a limited portfolio.[26]

The lack of diverse wealth portfolios amongst various groups is demonstrated in a New York University study that notes, "about 90 percent of the total value of stock shares, bonds, trusts, and business equity, and about 80 percent of non-home real estate were held by the top 10 percent of wealth households. Stock ownership is also highly skewed by wealth and income class. The top one percent of households classified by wealth owned 35 percent of all stocks in 2010, the top 10 percent 81 percent, and the top 20 percent 92 percent."[27][28]

A diverse wealth portfolio often involves a retirement account, such as an IRA, 401K, TSP, or KEOGH. Retirement accounts serve as a buffer against the possible failure of the new venture for pre-retirement and post-retirement individuals[29]. However, minorities have smaller retirement accounts than their Caucasian counterparts and as a result do not have the same safety shield.

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[25]Fairlie, Robert, Alicia Robb. Race and Entrepreneurial Success. (London: The MIT Press, 2008) 112.

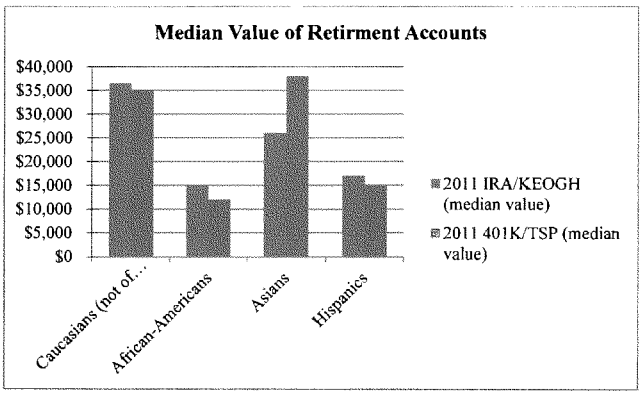
[26] Fry, Richard; Kochhar, Rakesh;Motel, Seth;Taylor, Paul; Velasco, Gabriel. "Wealth Gap Rise to Record Highs Between Whites, Blacks and Hispanics." Pew Social Trends. 26 July 2011.Pew Research Center. July 2013< http://www.pewsocialtrends.org/files/2011/07/SDT-Wealth-Report_7-26-11_FINAL.pdf >

[27]Wolff, Edward. "The Asset Price Meltdown and the Wealth of the Middle Class." New York University. 26 August 2012. Page 48-49.
<http://appam.confex.com/data/extendedabstract/appam/2012/Paper_2134_extendedabstract_151_0.pdf>

[28] For more information on U.S. Joint Economic Committee reports about stock ownership, please see: "The Online Books Page." University of Pennsylvania Library. University of Pennsylvania. July 2013<http://onlinebooks.library.upenn.edu/webbin/book/lookupname?key=United%20States.%20Congress.%20Joint%20Economic%20Committee>

[29] "Net Worth and Asset Ownership Households 2011." U.S. Census Bureau. U.S. Census Bureau. July 2013. <http://www.census.gov/people/wealth/ >

Race of Householder	2011 IRA/KEOGH (median value)	2011 401K/TSP (median value)
Caucasians (not of Hispanic origin)	$36,500	$35,000
African-Americans	$15,000	$12,000
Asians	$26,000	$38,000
Hispanics	$17,000	$15,000



Typically, under-banked and unbanked individuals do not have a diverse wealth portfolio. Assisting traditionally under-banked and unbanked individuals gain access to traditional financial services is one way to close the growing wealth gap. According to the FDIC, "under-banked households hold a bank account, but also rely on alternative financial services (AFS) providers."[30] The FDIC also notes that "unbanked households are those that lack any kind of deposit account at an insured depository institution."[31] In 2011, the Federal Deposit Insurance Corporation found that 10 million American households were unbanked (i.e., 1 in 12 families) and 24 million American households are under-banked (i.e., 1 in 5 families).[32]

[30] Burhouse, Susan; Osaki, Yazmin. "2011 FDIC National Survey of Unbanked and Underbanked Households." Federal Deposit Insurance Corporation(FDIC). September 2012. FDIC. July 2013 < http://www.fdic.gov/householdsurvey/2012_unbankedreport.pdf>

[31] Burhouse, Susan; Osaki, Yazmin. "2011 FDIC National Survey of Unbanked and Underbanked Households." Federal Deposit Insurance Corporation(FDIC). September 2012. FDIC. July 2013 < http://www.fdic.gov/householdsurvey/2012_unbankedreport.pdf>

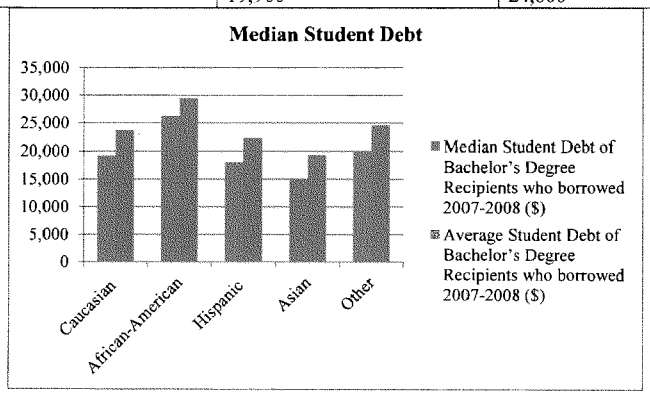
[32] "2011 FDIC National Survey of Unbanked and Underbanked Households." Federal Deposit Insurance Corporation(FDIC). September 2012. FDIC. July 2013 <http://www.fdic.gov/householdsurvey/>

D. Education

Education is fundamental for economic advancement and teaches entrepreneurial tools in order to accumulate wealth. However, the growing cost of college has become a burden on many Americans. According to the Consumer Financial Protection Bureau, a significant amount of student debt can limit the ability to open a small business. Hence, an individual will be diverting money toward student loan payments and in turn increase their debt-income ratio, which can make it difficult to attain a small business loan.[33]

The Department of Education found that the median and average student debt levels vary by demographic; African-Americans took out the highest amount of student loan debt. Below is chart detailing this data. [34]

Group	Median Student Debt of Bachelor's Degree Recipients who borrowed 2007-2008 ($)	Average Student Debt of Bachelor's Degree Recipients who borrowed 2007-2008 ($)
Caucasian	19,200	23,700
African-American	26,200	29,400
Hispanic	18,000	22,300
Asian	15,000	19,300
Other	19,900	24,600

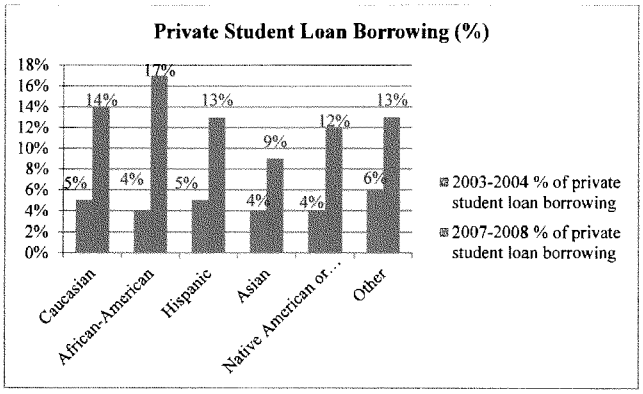


The Institute for College Access and Success found an increase in private student loan debt among all demographics. African Americans had the highest percent increase[35]:

[33] "Student Loan Affordability: Analysis of Public Input on Impact and Solutions." Consumer Financial Protection Bureau. 8 May 2013. Consumer Financial Protection Bureau. <http://files.consumerfinance.gov/f/201305_cfpb_rfi-report_student-loans.pdf>

[34] "Profile of 2007-08 First-Time Bachelor's Degree Recipients in 2009." U.S. Department of Education. October 2012. U.S. Department of Education. July 2013. < http://nces.ed.gov/pubs2013/2013150.pdf >

Group	2003-2004 % of private student loan borrowing	2007-2008 % of private student loan borrowing
Caucasian	5%	14%
African-American	4%	17%
Hispanic	5%	13%
Asian	4%	9%
Native American or Alaskan Native	4%	12%
Other	6%	13%



Financial literacy is an important education component to owning a small business. A few government initiatives to increase financial literacy are as follows. The joint venture between the Federal Deposit Insurance Corporation (FDIC) and the Small Business Administration (SBA), Money Smart for Small Business curriculum, helps small businesses owners understand financial tools to help their company grow.[36] The Financial Literacy and Education Commission was created in 2003 through the Fair and Accurate Credit Transactions Act to ensure that all Americans have access to financial literacy via "mymoney.gov."[37] Ensuring that all demographic groups have access to the prior and latter as well as other financial literacy tools is essential to closing the wealth gap.

[35] "Private Loans: Facts and Trends." Project on Student Debt. ,July 2011. Institute for College Access & Success. <http://projectonstudentdebt.org/files/pub/private_loan_facts_trends.pdf >

[36] Chodos, Michael. "Small Business Get A Leg Up with Financial Literacy." U.S. Small Business Administration. 30 April 2013. U.S. Small Business Administration. July 2013 <http://www.sba.gov/community/blogs/small-businesses-get-leg-with-financial-literacy>

[37] "Financial Literacy and Education Commission." U.S. Department of Treasury. June 2013. U.S. Department of Treasury. July 2013. <http://www.treasury.gov/resource-center/financial-education/Pages/commission-index.aspx>

E. Lending Inequalities

Multiple research studies, found in Dr. Fairlie's book, show that minorities face lender discrimination, which in turn impacts their ability to open or expand a small firm as well as attain wealth.[38] Dr. Fairlie notes a study that minority-owned businesses were found to have both a higher interest rate and higher loan denial rate than Caucasian-owned businesses, even after the studies controlled for creditworthiness factors.[39] He also noted that African-Americans were more likely than other groups to forgo loan application opportunities due to fear of denial:[40]

The SBA's Office of Advocacy found the fear of loan application rejection to be higher amongst minorities than Caucasians:

> Black and Hispanic [business] owners were nearly three times more likely to have this fear [of loan denial] compared with White owners. Nearly one-third of Black and Hispanic owners stated that they had this fear [of loan denial] in 2007, and the percentage was even higher in the years of the financial crisis.[41]

In 2010, 15.2 percent of Caucasians did not apply for a small business loan due to fear, compared to 38.8 percent of African-Americans and Hispanics. This trend also existed along gender lines, with 21.1 percent of women not applying compared to 17.8 percent of men.[42]

F. Professional Networks

Access to effective professional networks is critical to a small firm's success, because they open access to capital, contracting, trade, and counseling, which in turn can increase an entrepreneur's wealth. However, minorities do not have the historical access to such networks. A Duke University study notes, "Previous research further finds that black firms face consumer discrimination and have limited opportunities to penetrate networks, such as those in construction."[43]

The lack of access to professional networks also exists along gender lines. The SBA Office of Advocacy issued a report detailing that venture capital (VC) firms are more likely to do

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[38] Fairlie, Robert, and Alicia Robb. Race and Entrepreneurial Success. London: The MIT Press, 2008.
[39] Fairlie, Robert, and Alicia Robb. Race and Entrepreneurial Success. London: The MIT Press, 2008.
[40] Fairlie, Robert, and Alicia Robb. Race and Entrepreneurial Success. London: The MIT Press, 2008.
[41] Robb, Alicia, and San Rafael. "Access to Capital among Young Firms, Minority-owned Firms, Women-owned Firms, and High-tech firms." U.S. Small Business Administration Office of Advocacy. April 2012. U.S. Small Business Administration Office of Advocacy. July 2013 <http://www.sba.gov/sites/default/files/files/rs403tot%281%29.pdf>
[42] Robb, Alicia; Rafael, San. "Access to Capital among Young Firms, Minority-owned Firms, Women-owned Firms, and High-tech firms." U.S. Small Business Administration Office of Advocacy. April 2012. U.S. Small Business Administration Office of Advocacy. July 2013 <http://www.sba.gov/sites/default/files/files/rs403tot%281%29.pdf>
[43] Chatterji, Aaron; Chay, Kenneth; Fairlie, Robert. Duke University. "The Impact of City Contracting Set-Asies on Black Self-Employment and Employment." February 2013. Forthcoming, Journal of Labor Economics. July 2013< http://sites.duke.edu/ronniechatterji/files/2011/09/JOLE_FinalTextTables.pdf>

business with firms that are within the VC network.[44] However, when VC firms stepped outside their professional network to work with more women-owned small businesses their profits increased.

G. Language Barriers

Language barriers can hinder potential small business owners from utilizing government entrepreneurship resources. Increasing the variety of languages on official SBA materials could narrow the wealth gap for minority small business owners by providing more access to tools (such as access to capital programs, contracting opportunities, and counseling) to develop their small firm. Currently, SBA's national resource guide is written in English; although, district offices have the choice of providing multi-lingual materials for their geographic area. Only a limited number of resources are written in both English and Spanish; the cost of producing more materials could be a reason why they are not.

H. Unemployment

The unemployment rate is disparate among demographics and can hinder wealth accumulation. Small business economic policies can impact and help improve the unemployment rate. Dr. Robert Fairlie found that individuals create their own job through entrepreneurship and minority firms are more likely to hire other minorities for their small business.[45]

The U.S. Bureau of Labor Statistics' June 2013 unemployment rates are organized by demographic in the below chart.[46]

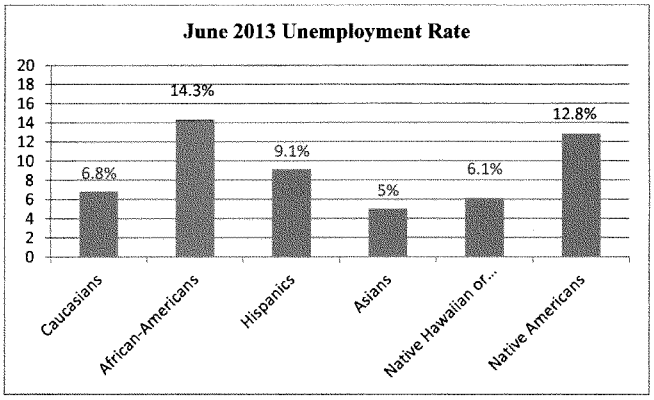
Group	June 2013 Unemployment Rate
Caucasians	6.8%
African-Americans	14.3%
Hispanics	9.1%
Asians	5%
Native Hawaiian or other Pacific Islanders	6.1%
Native Americans	12.8%

[44]JMG Consulting; Wyckoff Consulting. "Venture Capital, Social Capital, and the Funding of Women-led Businesses." U.S. Small Business Administration Office of Advocacy. April 2013 <http://www.sba.gov/advocacy/7540/561201>

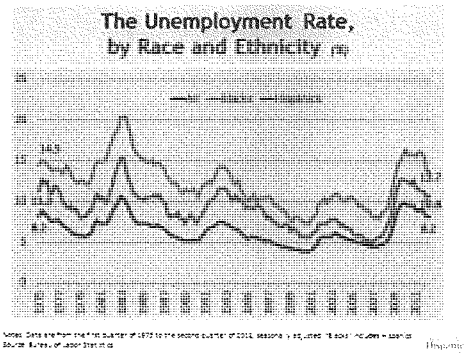
[45] Chatterji, Aaron; Chay, Kenneth; Fairlie, Robert. Duke University. "The Impact of City Contracting Set-Asies on Black Self-Employment and Employment." February 2013. Forthcoming, Journal of Labor Economics. July 2013< http://sites.duke.edu/ronniechatterji/files/2011/09/JOLE_FinalTextTables.pdf >

[46]"Employment Status of the civilian population by race, sex, and age." U.S. Bureau of Labor Statistics. June 2013. U.S. Department of Labor. July 2013 <http://bls.gov/news.release/empsit.t02.htm> and "Employment status of the Hispanic or Latino population by sex and age." U.S. Bureau of Labor Statistics. June 2013. U.S. Department of Labor. July 2013 <http://bls.gov/news.release/empsit.t03.htm >

The Department of Labor gave the authors public data on Native Americans as well as Native Hawaiian and Pacific Islanders' unemployment rate via a PDF document; they noted that this data is from a small sample size and can vary from month to month.



According to Dr. Fairlie and Dr. Sundstrom, disparate unemployment rates among African-Americans and Caucasians has persisted over time.[47] According to the Department of Labor, "Historically, Blacks have had persistently higher unemployment rates than the other major racial and ethnic groups."[48] Rakesh Kochhar from the Pew Research Center notes the historical unemployment rate differences between Hispanic, African-Americans, and all workers in the graph below.



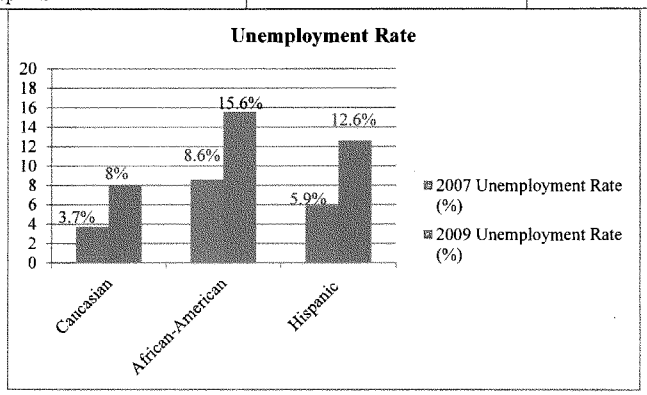
[47]Fairlie, Robert; Sundstrom, William. "The Racial Unemployment Gap in the Long-Run Perspective. The American Economic Review. 87 (1997): 306-307.

Sundstrom, William. "Explaining the Racial Unemployment Gap: Race, Region, and the Employment Status of Men, 1940.Industrial and Labor Relations Review. 5- (1997): 460.

[48] "The African-American Labor Force in the Recovery." U.S. Department of Labor. 29 February 2012. U.S. Department of labor. July 2013. <http://www.dol.gov/_sec/media/reports/BlackLaborForce/BlackLaborForce.pdf >

The Great Recession has increased unemployment rates and decreased wealth levels of all Americans, yet minorities were disproportionately impacted. According to the Pew Research Center, during this time period, Hispanics and African-Americans had a higher unemployment rate than Caucasians[49]:

Group	2007 Unemployment Rate	2009 Unemployment Rate
Caucasian	3.7%	8.0%
African-American	8.6%	15.6%
Hispanic	5.9%	12.6%



An Economic Policy Institute (EPI) study on Asian unemployment found that during the Great Recession every year "Asian Americans with a bachelor's or an advanced degree were more likely to be unemployed than similarly educated whites."[50]

According EPI, Native Americans have been significantly impacted by the economic downturn. They note that, "from the first half of 2007 to the first half of 2010, the American Indian unemployment rate nationally increased 7.7 percentage points to 15.2 percent. This increase was 1.6 times the size of the white [sic] increase."[51]

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[49] Fry, Richard; Kochhar, Rakesh;Motel, Seth;Taylor, Paul; Velasco, Gabriel. "Wealth Gap Rise to Record Highs Between Whites, Blacks and Hispanics." Pew Social Trends. 26 July 2011.Pew Research Center. July 2013< http://www.pewsocialtrends.org/files/2011/07/SDT-Wealth-Report_7-26-11_FINAL.pdf > These numbers are non-seasonally adjusted estimates for 2007 and 2009's fourth quarters.

[50] Kim, Marlene. "Unfairly disadvantaged? Asian Americans and unemployment during and after the Great Recession. (2007-2010)" Economic Policy Institute. 5 April 2012. Economic Policy Institute. July 2013. <http://www.epi.org/publication/ib323-asian-american-unemployment/>

[51] Austin, Algernon. "Different Race, Different Recession: American Indian Unemployment in 2010." Economic Policy Institute. 18 November 2010. Economic Policy Institute. July 2013 <http://www.epi.org/publication/ib289/>

The rate of unemployment has significantly impacted minority women as well. The Center for American Progress found that, "Black and Latina women are disproportionately unemployed. During the first quarter of 2012, black and Latina women saw rates of unemployment at 13.3 percent and 11.4 percent, respectively, which were much higher than the 7.2 percent unemployment rate for white women."[52]

I. Internet Access

Small businesses need access to broadband in order to stay afloat in today's economy. The Internet allows entrepreneurs to sell their product through an increasing E-commerce market, expand their commercial trade reach, and find the resources to grow their business; which helps increase a small business owner's profits and in turn their wealth. [53] However, gaining access to broadband infrastructure and increasing broadband adoption is difficult.

Broadband's high cost prevents the expansion of Internet access among certain demographics.[54] Families with an income of less than $15,000 had the highest level of no Internet usage at 42.76 percent.[55] Families with an income above $150,000 had the highest percentage of Internet usage at 98.97 percent.[56]

Rural communities do not have the same broadband infrastructure as urban communities. According to the U.S. National Telecommunications and Information Administration (NTIA), only 71% of rural communities had basic broadband service, whereas 98% of urban communities had access to basic broadband service.[57] NTIA notes that the gap continues with broadband speed.[58] Specifically, 23% of rural residents had the ability to download at a speed of 50Mpbs or faster, whereas 63% of urban residents could do so. [59]

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[52]Kerby, Sophia. "The State of Women of Color in the United States." Center for American Progress. 17 July 2012. Center for American Progress. July 2013.<http://www.americanprogress.org/wp-content/uploads/issues/2012/07/pdf/women_of_color_brief.pdf>

[53] Data on how E-commerce is increasing can be found at: "U.S. Census Bureau E-Stats." U.S. Census Bureau. 23 May 2013. U.S. Census Bureau. July 2013 <http://www.census.gov/econ/estats/2011reportfinal.pdf>

[54] Chung, Jaewon; Bryne, Amelia; Dailey, Dharma; Karaganis, Joe; Powell, Alison. "Broadband Adoption in Low-income Communities." Social Science Research Council. March 2010. Federal Communications Commission. July 2013 < http://webarchive.ssrc.org/pdfs/Broadband_Adoption_v1.1.pdf >

[55] "Table 1155. Household Internet Usage In and Outside of the Home by Selected Characteristics: 2010." U.S. Census Bureau. 2010. U.S. Census Bureau. July 2013. <http://www.census.gov/compendia/statab/2012/tables/12s1155.pdf>

[56] "Table 1155. Household Internet Usage In and Outside of the Home by Selected Characteristics: 2010." U.S. Census Bureau. 2010. U.S. Census Bureau. July 2013. <http://www.census.gov/compendia/statab/2012/tables/12s1155.pdf>

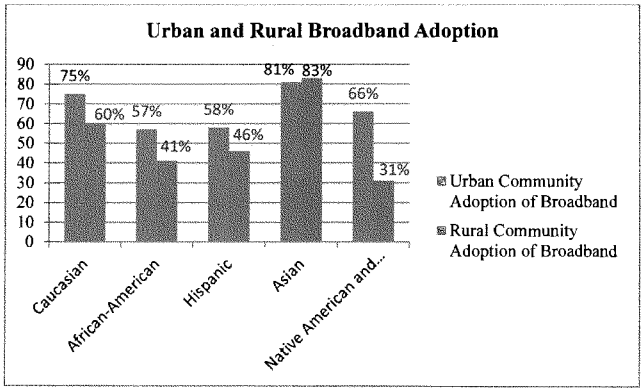
[57]"Broadband Availability Beyond the Rural/Urban Divide." National Telecommunications & Information Administration. May 2013. U.S. National Telecommunications & Information Administration. July 2013. <http://www.ntia.doc.gov/files/ntia/publications/broadband_availability_rural_urban_june_2011_final.pdf>

[58] "Broadband Availability Beyond the Rural/Urban Divide." National Telecommunications & Information Administration. May 2013. U.S. National Telecommunications & Information Administration. July 2013. <http://www.ntia.doc.gov/files/ntia/publications/broadband_availability_rural_urban_june_2011_final.pdf>

[59] "Broadband Availability Beyond the Rural/Urban Divide." National Telecommunications & Information Administration. May 2013. U.S. National Telecommunications & Information Administration. July 2013. <http://www.ntia.doc.gov/files/ntia/publications/broadband_availability_rural_urban_june_2011_final.pdf>

The NTIA study found that minorities were less likely to adopt or gain connection to broadband than Caucasians, "fewer non-Asian minority households adopted broadband Internet in 2011.[60] Below is a chart detailing this data.[61]

Group	Urban Community Broadband Adoption (%)	Rural Community Broadband Adoption (%)
Caucasian	75%	60%
African-American	57%	41%
Hispanic	58%	46%
Asian	81%	83%
Native American and Alaskan Natives	66%	31%



The Census found a demographic disparity on the rate of Internet usage between 2000 and 2011. Below are charts detailing this data: [62]

[60] "Exploring the Digital Nation: America's Emerging Online Experience. National Telecommunications and Information Administration. June 2013. National Telecommunications and Information Administration; Economics and Statistics Administration; U.S. Department of Commerce. July 2013 <http://www.ntia.doc.gov/files/ntia/publications/exploring_the_digital_nation_-_americas_emerging_online_experience.pdf>

[61] "Exploring the Digital Nation: Computer and Internet Use at Home." National Telecommunications and Information Administration. November 2011. Economics and Statistics Administration; National Telecommunications and Information Administration; and U.S. Department of Commerce. July 2013 <http://www.ntia.doc.gov/files/ntia/publications/exploring_the_digital_nation_computer_and_internet_use_at_home_11092011.pdf>

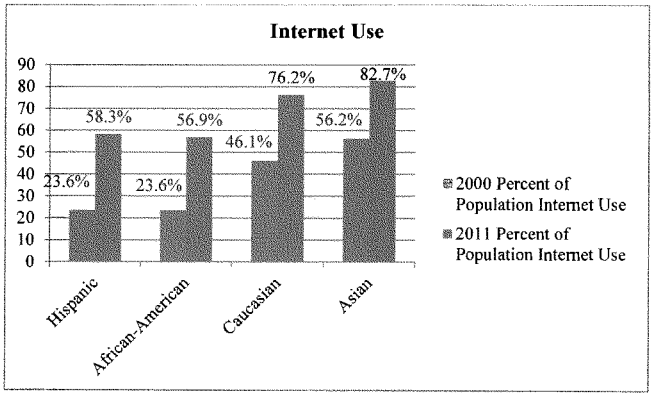
[62] http://www.census.gov/prod/2013pubs/p20-569.pdf

2000

Group	Percent of Population Internet Use
Hispanic	23.6%
African-American	23.6%
Caucasian	46.1%
Asian	56.2%

2011

Group	Percent of Population Internet Use
Hispanic	58.3%
African-American	56.9%
Caucasian	76.2%
Asian	82.7%



Due to the lack of access to traditional broadband, minorities are more likely to use their cell phone for Internet access. Per Pew Research, "Half (51%) of African-American cell Internet users do most of their online browsing on their phone, double the proportion for whites (24%). Two in five Hispanic Internet users (42%) also fall into the 'cell-mostly' category." [63]

[63]Smith, Aaron. "17% of cell phone owners do most of their online browsing on their phone, rather than a computer or other device." Pew Internet & American Life Project. 26 June 2012. Pew Research Center. July 2013. <http://pewinternet.org/~/media/Files/Reports/2012/PIP_Cell_Phone_Internet_Access.pdf>

Increasing access to broadband through infrastructure, speed, and adoption could help more small businesses thrive and in turn help close the wealth gap.

III. Testimonies from Hearings and Roundtables

Since becoming Chair of the U.S. Senate Committee on Small Business and Entrepreneurship, Senator Landrieu has held 5 hearings and roundtables to examine the wealth gap. Below are summaries of the testimonies and comments from these events.

Minority Entrepreneurship: Evaluating Small Business Resources and Programs[64] September 24, 2009

Introduction

Chair Landrieu stated that minority entrepreneurs face particular barriers such as access to capital, contracting, and counseling. She continued, "I believe that the Nation has not yet quite tapped the strength and potential of this particular group [minority entrepreneurs]." Chair Landrieu noted, "One of our nation's greatest assets is our diversity, it is a great strength that allows us today, and hopefully in the future, to be the most competitive Nation in a growing global marketplace."

Contracting

General Contracting

Mr. Rube Williams, President and CEO of JET Learning Laboratory, said that if America wants to be globally competitive, then minority small businesses must have an equal opportunity to succeed. He noted that, "when minority businesses are funded you are going to have a lot better spread of wealth in minority communities."

Dr. Danny Boston, Professor at Georgia Tech and Owner of Euquant, explained the importance of government contracting as it tends to be "the first point of market entry" for small businesses seeking contracts.

Timely Contract Payments

Small businesses face the problem of local, state, and federal governments not paying them on time. Chair Landrieu said this problem can lead to a small firm's bankruptcy. She noted that "it is important for governments to pay promptly, which in of itself can be a barrier. Small business just cannot take the risk of doing business with someone that is not going to pay them for six months or a year."

Mr. Ralph Bangs, Associated Director of the Center on Race and Social Problems at the University of Pittsburg, found through his research that both state and local governments do not award prime and sub contracts to minorities and women owned small businesses at the same rate as non-minority small businesses. Furthermore, if government agencies do award contracts, they

[64] United States. Senate Committee on Small Business and Entrepreneurship. Transcript - Minority Entrepreneurship Evaluating Small Business Resources and Programs. Maryland: B&B Reporters, 2009.

do not pay on time. Mr. Bangs cited contracting problems, which included, "continued bundling, not breaking contracts into smaller sizes so that different sizes of firms can compete, and having slow pay systems so that small firms cannot get the money in time for projects." He noted that these issues cause small businesses to not apply for contracts.

Mr. Robinson, President of the Minority Business Legal Defense and Education Fund, noted that some state governments are not required to pay as promptly as other levels of government are. He suggested that "Congress might want to consider revisiting the Prompt Pay Act and make it apply to all federal monies that flow - even indirectly through state and local governments where much of the problem exists."

Subcontracting

Chair Landrieu mentioned that some large corporations' bids for federal contracts name small businesses as a subcontractor, but do not use that small business once they are awarded the contract. She suggested a monitoring system to ensure that corporations are following through with their small business bid indications. She "wants to make sure that when agencies say this is the minority company they are working with that they [the large contractors] are actually doing that." She also indicated the need to look at private sector examples so that the government can note their best contracting and subcontracting practices.

Dr. Boston echoed Chair Landrieu's comments by saying that on the federal level, but particularly the state level, small businesses do not attain a subcontract when they have been indicated as so on a bid. He noted that "If there is not a monitoring process to ensure that it [subcontracts going to small business after a bid indication] happens, it often does not happen." He also stated the importance of the SBA collecting more subcontracting data from "corporations that do business with the government." He noted that prime contractors should be required to have a letter of intent to subcontract out to small businesses when they are bidding for a job.

Mr. Stephen Denlinger, President and CEO of the Latin American Management Association, stated "The issue of subcontracting, the vanishing subcontract is of course long-term, chronic and an issue." Specifically, he recommended "a contract between the prime contractor and the subcontractor at the time the prime contractor submits his bid." He continued, "If there is not a contract between the subcontractor and the prime contractor by the time the prime contractor gets the main contract, he [prime contractor] forgets about the subs that he was purportedly going to use to fulfill the minority subcontracting plan."

Mr. Harry Alford, Co-Founder & President & CEO of National Black Chamber of Commerce, mentioned that subcontracting with minority small business needs stronger bid language. He suggested that if corporations bid for a contract and put a minority small business as a subcontractor, then that corporation must report any changes (i.e. if they decide to not use the original minority small business); if they drop a minority small business the subcontract, then it must go to another minority small business. Mr. Alford recommended that if the prior and latter are not completed, then the corporation should be considered in breach of contract and thus

be fined or removed from the main contract. He also suggested that the Department of Justice be involved in this endeavor.

Mr. Walter Cotton, Managing Partner, MR–IT, said large corporations need to see that small business subcontracts can increase their company's value to shareholders. He continued that prime contractors must be held accountable to use small businesses when the previously mention that they will in a bid; this could be through a "vehicle that impact their ability to acquire future contracts because of their poor performance against those goals [subcontracting to small businesses]."

Ms. Denise Gatling, Director of Global Supplier, Diversity, and Business Development at GlaxoSmithKline, mentioned that her large corporation asks potential prime suppliers for their diversity plan in the bidding process. She said that the requested diversity strategy helps her company decide whether the potential prime supplier's plan will work for the community in which the contract will be awarded. Ms. Gatling noted that her company monitors how the prime supplier uses the subcontractors by mandating reports on the company's numbers [dollar amount of contracts given to diverse small businesses]. She mentioned that data is used for the prime supplier's annual evaluation.

Ms. Royalyn Reid, President of Consumer and Market Insights, suggested that government agencies that have a record of contracting with small businesses should be used as examples for other government agencies that don't frequently contract to small businesses.

Ms. Charlotte Burnell, President of Strategic Planning Associates LLC, said that a lack of compliance monitoring leads to small businesses not getting subcontracts. She recommended increased enforcement and monitoring of contracting bids. Furthermore, she suggests that agencies report to Congress on the number of small businesses hired for subcontracts and how much money they were allotted.

Recovery Funds

Roundtable participants discussed small businesses' role in the American Recovery and Reinvestment Act. There was a consensus that small businesses in underserved communities did not gain equal access to the Recovery Act's capital and contracting opportunities.

Ms. Reid said that recovery funds did not get allotted to communities that were hit the hardest by the recession.

Mr. Robinson was concerned that stimulus money is controlled by Federal Acquisition Regulation (FAR). He mentioned that "under the federal acquisition streamlining and federal acquisition reform that took place in the 1990s many of the socioeconomic indexes that required participation by minority and women owned firms were gutted. And a lot of what we are seeing with bundling and the lack of minority participation has its root causes in the FAR and what took place with federal acquisition free form and federal acquisition streamlining."

Mr. Denlinger mentioned that small businesses have a difficult time locating where the stimulus money is going. He suggested that minority trade organizations receive funds to notify their members of stimulus opportunities. Furthermore, Mr. Denlinger recommended looking at how small businesses associations receive information as a way to gauge how individual firms learn about opportunities.

Ms. Johnson-Pata noted that a large amount of Recovery funding went to existing contractors instead of small businesses. She noted that increased monitoring for subcontracts as well as expanding it to joint venture and mentor protégée programs could be helpful.

Mr. Joe Jordan, SBA Associate Administrator for Government Contracting and Business Development, addressed the issue of small businesses not being notified about stimulus funding and contracting. He mentioned that the SBA has been insisting that state and local governments use small businesses for contracts. Furthermore, the SBA published on their website information on how to attain a small business contract Mr. Jordan also mentioned that the federal government was close to reaching its overall goal of 23 percent of government contracts going to small businesses.

Bonding

Per the SBA's website, a surety bond "ensures contract completion in the event of contractor default. A project owner (called an obligee) seeks a contractor (called a principal) to fulfill a contract. The contractor obtains a surety bond from a surety company. If the contractor defaults, the surety company is obligated to find another contractor to complete the contract or compensate the project owner for the financial loss incurred."[65]

Mr. Dwayne Wilkerson, President and CEO of Marrd Group, suggested that the SBA help facilitate surety bonds so that small businesses could be awarded more contracts to ensure competitiveness with large corporations.

Mr. Jordan mentioned that the Recovery Act increased bonding by $5 million and mentioned that small businesses should contact their district offices to find surety bonds.

Net Worth Requirements for Small Disadvantaged Businesses

Dr. Boston mentioned that small disadvantaged businesses' growth capacity is hindered by net worth requirements. "There is regulatory problem in the SBA as it relates to small disadvantaged businesses, which constrain their ability to grow capacity that would allow them to get some of the larger contracts. It is primarily related to the issue of personal net worth."

[65] Small Business Administration. "Surety Bonds: The Basics." Small Business Administration. July 2013 <http://www.sba.gov/content/surety-bonds-basics>

8(a) Program

Mr. Cotton wanted the contract authority for the 8(a) program to reside with the SBA so that it becomes the contracture of record between the agency and the small business receiving the contract. He mentioned that this could help ensure that small businesses are on equal footing with large corporations for government contracts.

Dr. Boston mentioned the importance of adjusting personal net worth requirements and the need to tie industry type in the 8(a) program. "Personal net worth is closely related to firm revenues, so if you cap one you cap the other." Furthermore, "personal net worth is related to bonding capacity, so if personal net worth is too low your ability to get bonding is too low." Instead of a net worth requirement, he suggested the average revenue and/or bonding ability be a requirement for 8(a) program entry. He demonstrated how 8(a) net worth requirements have a direct impact in a companies' ability to attain revenue. For example, Dr. Boston "tracked companies on a month to month basis for six months after they were graduated [out of the 8(a) program, due to net worth requirements]; their revenues fell by 45%."At the time of this roundtable, Dr. Boston noted that 8(a) firms contributed $6 billion to the economy and created 123,000 jobs in primarily impoverished areas.

Data Collection

Mr. Bangs mentioned the difficulty in finding minority contracting data and expressed the need for increased federal government monitoring

Discrimination

Mr. Robinson explained individual small businesses' experiences of discrimination and exclusion from programs due to their demographic.

Contracting Parity

Mr. Denlinger mentioned the importance of HUBZone parity, "We very, very strongly support the leveling of the playing field and true parity across the programs."

Size Standards

Mr. Denlinger stated that the SBA's size standards for small businesses need to be revaluated so that small firms can actively compete for contracts. "We need size standards that enable us to break the large business monopoly and we need a philosophical change." He suggested that the government's 23 percent contracting goal for small businesses should be increased to 40 percent. Mr. Denlinger noted that, "if there are two or more small businesses ready willing able and capable of bidding out a requirement, it should be set aside for a small business competition." However, he also mentioned the gaps between the law and FAR regulation that thwarts this from happening.

Mr. Robinson mentioned that he is a proponent of changing size standards: "There has not been a real overhaul of size standards to see whether or not they are still consistent with what would be considered small and other than small in today's industries." He explained that the size standards are prematurely taking away the title "small" from small businesses, which makes it difficult for them to equally compete with larger corporations in the open market. He gave the example of a technology company not being small if they surpass $23 million, but when they compete against a technology and defense giant like Lockheed Martin they are not on an equal playing field.

Dr. Boston said, "I agree that they [size standards] need to be related to industry criteria such as the concentration in industry and what is required on average bonding capacity."

Mr. Cotton suggested that the government analyze the size standards criteria that exempt small businesses from some contracts.

Bundling

Mr. Cotton acknowledged that when contracts are bundled it stops small businesses from competing for contracts. Mr. Denlinger echoed that it is imperative to ensure small businesses have an equal opportunity to compete for government contracts by unbundling contracts.

Counseling

Mentoring

Mr. Cotton showed support for the SBA's mentor protégé program, "SBA's business development mentor protégé program is an excellent tool to cause capacity creation in the small business community."

Capital

General Access

According to Mr. Jordan, the Recovery Act provided $375 million in funding to support the SBA loan programs and supported around $410.7 billion for small business loans throughout the country; specifically, 20 percent of these loans were given to minority owned businesses, 19 percent to women owned businesses, and 9 percent to veteran owned small businesses.

Mr. Williams declared that the funding of minority businesses will spread wealth in minority communities.

Hearing: Assessing Access: Obstacles and Opportunities for Small Business Owners in Today's Capital Markets[66]
April 15, 2010

Contracting

Net Worth Requirements

After the hearing, Chair Landrieu sent Senate Leadership a letter about the wealth gap where she noted the need to re-look at net worth requirements. She wrote, "Currently the 8(a) program limits applicants to $250,000 net worth and once accepted in the program to $750,000 net worth. Those limits have not been changed in more than 20 years. Those limits should be lifted to at least their inflation adjusted equivalents and thereafter adjusted for inflation annually. Further, retirement accounts should also be removed from consideration of net worth."

Contracting and Capital

David Hinson, National Director of U.S. Minority Business Development Agency (MBDA), explained that small businesses do not get paid on time for completing a government contract. With the absence of working capital to help plug this funding loss, entrepreneurs go out of business. He also noted that although minority owned firms are 12 percent of all construction companies they usually procure less than 1 percent of government contracting. Mr. Hinson mentioned that the MBDA is working to facilitate more surety bonds for small businesses.

Counseling

The Importance of Counseling Programs

Grady Hedgespeth, Director of the SBA Office of Financial Assistance, cited that small businesses "need more than just the loan. They need counseling and technical assistance to help strengthen their business plans and make them more bankable in this tight lending environment." He noted that the SBA is working with their network of small business development centers, SCORE, and women business centers to increase small business training. Mr. Hedgespeth also highlighted other SBA initiatives to increase small business counseling in underserved communities. For example, the Emerging Leaders Program (originally E-200) helps promote entrepreneurship training in inner cities.

After the hearing Chair Landrieu sent a letter to Senate Leadership stating the importance of small business counseling legislation. She, "introduced the "Small Business Community Partner Relief Act of 2010" (S. 3165), and requested that this important piece of legislation be included in the next jobs bill to be considered by the Senate. This bi-partisan bill provides much needed relief to certain SBA Women Business Centers and Microloan intermediaries, which

[66] United States. Senate Committee on Small Business and Entrepreneurship. Transcript - Hearing: Assessing Access: Obstacles and Opportunities for Small Business Owners in Today's Capital Markets. Maryland: B&B Reporters, 2010.

provide critical technical assistance and financing opportunities, particularly to minority-owned small businesses which comprised 53 percent of microloan recipients."

Ms. Henningsen, Founder and Vice President of Legacy Bank, explained that it is necessary for minority enterprises to have small business training because often times it has not been passed down from their family members. She said, "Once they [small businesses] are given the opportunity, access to capital, training, coaching to make these businesses work, they have been successful as supported by our double digit growth serving this customer base."

Business Networking

Ms. Natalie Cofield, President of NMC Consulting Group, Inc., mentioned that minority small businesses' lack of strong professional networks hinders their ability to attain small business capital.

Mr. Robert Johnson, Chairman and Founder of RLJ Companies, reflected on the success of creating Black Entertainment Television and said it would not have been possible without strategic partners. He said, "If most African Americans could find strategic partner, if we could go out and match up minority entrepreneurs with majority strategic partners and supporters, you could change dramatically the number of large scale minority businesses."

Capital

General Access

Mr. Hinson noted that minority owned firms are less likely to receive a small business loan than a non-minority owned firm and the allotted amount is disparate. He mentioned the importance of the MBDA return on investment in helping minority small businesses and the entire economy; thus, "for every dollar of taxpayer money that goes into our agency, we produce $94 of economic output." Despite lending inequality, Mr. Hinson states that minority-owned firms contribute greatly to the U.S. economy by employing 4.7 million workers and grossing over $661 billion in annual receipts. He states that if minority owned businesses were to reach economic parity, they would generate 2.5 trillion and employ 16 million people.

Mr. Hinson noted that in the January 2010 study commission by MBDA and co-authored by Drs. Robert Fairlie and Alicia Robb, entitled *Disparities in Capital Access between Minority and Non-Minority-Owned Businesses: The Troubling Reality of Capital Limitations faced by MBEs*, they found that limited financial, human and social resources – as well as racial discrimination – are primarily responsible for the disparities in capital.

Some particular aspects of the findings include:

1. Minority-owned firms are less likely to receive loans than non-minority owned firms.
   - The denial rate for minority-owned firms with **less than $500,000 in annual revenues** is 41.9% compared to 16% for non-minority-owned firms.
   - The denial rate for minority-owned firms with **more than $500,000 in annual revenues** is 14.9% compared to 8.4% for non-minority-owned firms.

2. When minority-owned firms do receive financing, they are provided less money regardless of the size of their firm, and at a higher interest rate.
   - The average loan size for a minority-owned firm with **less than $500,000 in annual revenues** is just over $9,000 while the average loan amount for a non-minority-owned firm of the same size is more than $20,000.
   - The same holds true for **firms with annual revenues exceeding $500,000**— the average loan amount for a minority-owned firm is approximately $150,000 compared to more than $310,000 for a non-minority-owned firm.
   - Additionally, loan interest rates for minority-owned firms with gross revenues less than $500,000 exceed 9% while non-minority-owned firms of the same size are often able to secure interest rates at less than 7%.

3. Minority-owned firms also receive smaller equity investments than non-minority- owned firms even when controlling for firm size.
   - The average equity investment in a minority-owned firm earning more than $500,000 just exceeds $7,000; yet for a non-minority-owned firm, the average investment is more than $19,000.

4. Yet, this same report finds that venture capital funds focused on investing in the minority business community are highly competitive.

5. Moreover, during the 2001 recession, employment at minority-owned firms increased by 4% while employment among non-minority firms declined by 7%.8 So had it not been for the employment growth among minority-owned firms, the job loss during this period would have been even larger.

Ms. Henningsen prides her business growth in the minority community. She mentions that many, now major businesses were once small businesses that a financial agency "took a chance on". She modeled her business on smaller banks that provide financial services to underserved populations. She maintains that during this current economic climate more must be done to address the need for capital.

Paul Hudson, Chairman and CEO of Broadway Federal Bank, stated that many minority small business owners' primary source of financial funding stems from debt financing; such as, personal and business assets in the form of the business owner's residence, credit card debt, or loans from relatives or friends. He recommends requiring technical and financial training for newly operated businesses and allocating funding.

Hearing: Closing the Gap: Exploring Minority Access to Capital and Contracting Opportunities[67]
March 3, 2011

Introduction

[67] United States. Senate Committee on Small Business and Entrepreneurship. Transcript - Hearing: Closing the Gap: Exploring Minority Access to Capital and Contracting Opportunities. Maryland: B&B Reporters, 2011.

Participants discussed unique barriers to minority-owned small businesses and the need to create a fair environment for all entrepreneurs to succeed. The Chair noted "the obstacles that minority business owners face, whether it is African American or Hispanic or Asian or women are quite unique."

Contracting

General Importance

The SBA Deputy Administrator, Marie Johns, emphasized the SBA's commitment to helping underserved small businesses succeed:

> The core to our mission at the Small Business Administration is expanding opportunities for companies in traditionally underserved areas, including those owned by minorities, women, veterans, people with disabilities, and people from rural areas. These businesses typically have a harder time accessing the tools they need to grow and create jobs in their communities.

Deputy Administrator Johns noted that the SBA created an advisory council for underserved small businesses that has been especially useful since "minority owned small businesses are three to five times more likely to receive a SBA loan than a conventional loan." She discussed how the recession has decreased the amount of loans for all small businesses, particularly for those businesses in underserved communities. She maintained that "with the right tools in hand, entrepreneurs and small businesses in these [underserved] communities can have [a] significant impact in driving economic growth and creating jobs where they are needed most."

8(a) Program

This hearing discussed policy proposals for the SBA's 8(a) business development program. Mr. Marc Morial, President of the National Urban League, suggested that the cap for set-aside small business contracts be raised from 100,000 to 500,000. Ms. Susan Allen, President and CEO of U.S. Pan Asian American Chamber of Commerce, advocated an expansion of the 8(a) Mentor Protégé Program. This expansion would 1) improve the transition program for 8(a) participants finishing the program and 2) help connect program participants to opportunities and mid-tier companies. Ms. Allen also suggested that the SBA provide more assistance to 8(a) firms by increasing the amount of specialists that manage 8(a) firms.

Contracting and Capital

Often, it can be difficult for small businesses to attain working capital in order to finish a contract. Mr. Doyle Mitchell, President and CEO of Industrial Bank, said that the Department of Transportation's short-term lending program (i.e. line of credit for transportation contracts) should be applauded and embraced. He encouraged the Small Business Committee to request that other agencies develop similar programs. Ms. Martha Montoya, President of Los Kitos

Produce, also noted the importance of having working capital to help finish a government contract.

Women's Contracting

Deputy Administrator Johns mentioned the release of an SBA Women's Contracting Rule that includes "effective up front certification, ongoing surveillance and monitoring, and robust enforcement." She stated that this would increase the opportunities for women to contract with the federal government.

Insourcing

Ms. Allen mentioned the need to combat federal government contract insourcing, which is when an agency sources a contract internally throughout their organization as opposed to contracting externally to small businesses. She emphasized that this [insourcing] limits new opportunities for small businesses.

Bundling

Bundling is when the federal government binds together smaller contracts into one conglomerate that is too large for a small business to bid for successfully. Mr. Morial cited the importance of unbundling government contracts in order for small businesses to have an equal opportunity. Ms. Allen mentioned that there should be incentives and accountability for agencies that award small business contracts and unbundle their contracts.

Goaling

Mr. Morial suggested that the federal government increase their goal requirements for small business contracts and encouraged accountability for meeting those standards.

Capital

General Access

Chair Landrieu cited Dr. Robert Fairlie, Professor of Economics at the University of California (Santa Cruz), by saying, "the major root of the [wealth and income inequality] problem is extremely low wealth accumulation."

Ranking Member Olympia Snowe (R-ME) noted that minority-owned businesses generate $1 trillion in annual economic output and create 9.5 million jobs. She noted a paper authored by Dr. Fairlie entitled, Disparities in Capital Access Between Minority and Non-Minority-Owned Firms, which concluded that minority firms: 1) are less likely to receive loans that non-minority firms, 2) receive lower loan amounts than non-minority firms, 3) are more likely to be denied loans, and 4) pay higher interest rates on business loans." She lauded the SBA for its work to increase lending to minority-owned firms. Specifically, the SBA micro-loan program.

Deputy Administrator Johns described the Small Loan Advantage and Community Advantage programs as vehicles to provide small dollar loans for small business owners. Since many of these entrepreneurs did not require an enormous loan to start their businesses, the SBA initiated these two programs. Prior to their inception, the paperwork and processing time for procuring such a loan prevented many small business owners from applying.

Senator Kay Hagan (D-NC) stressed the importance of the Small Business Lending Fund (created in the Small Business Jobs Act of 2010) providing loans to minority firms. This fund is targeted toward community lenders that provide the vast majority of lending to small businesses. The Senator also noted the critical nature of the SBA's Small Business Investment Company (SBIC) Program in leveraging private venture capital funds to encourage private equity investments. However, she also asked for further elucidation on how the program would be leveraged, per President Obama's 2012 budget plan, to support $200 million in annual impact investments targeted to economically and socially disadvantaged businesses. At the time of this hearing, Deputy Administrator Johns stated that the SBA was still in the process of implementing this program. The impact investments would provide "equity infusion" when needed. During this hearing, the Deputy Administrator further emphasized the infancy of the program and that the SBA was still working to attain "a strong and diverse portfolio of managers who are ready and capable of serving businesses in underserved communities."

Ms. Allen provided testimony on issues plaguing Asian American's access to capital. She noted that specific small business industries (i.e. service sector) have a difficult time attaining collateral for private and SBA loans, which makes it difficult for them to access capital.

Mr. Mitchell commended the Department of Transportation's Small Business Lending Fund (SBLF) as a great example of how government can provide access to short term capital. He recommended that the SBLF interest rate be changed from nine percent to seven percent in order to increase access to capital.

Ms. Montoya mentioned that Hispanic firms are small and do not receive attention from venture capital firms, yet they remain a fast growing segment in the country. She recommended that the Federal Reserve and the Treasury department focus on the Community Reinvestment Act (CRA) to ensure support for minority small businesses and entrepreneurs.

Ms. Allen noted that during the financial crisis, large banks were unwilling to extend credit to adversely impacted Asian-American small businesses.

Mr. Morial stated that lack of access to reasonably priced capital through private-sector commercial sources was one of the reasons Minority Business Enterprises (MBEs) have not reached their full potential. He said most MBEs use either "high priced, alternative capital sources" or a credit card to access the capital needed to start their small business. He noted that the substantial wealth gap hinders African-American access to startup capital for small businesses. He also noted "It is a commonly-accepted fact that firms with higher levels of start-up capital are less likely to close, more likely to have higher profits and revenues, and much more likely to hire employees than those without [sic]." In an effort to increase capital procurement opportunities for small businesses, the National Urban League has established an Entrepreneurship Center Program (ECP) in a number of metropolises.

Wealth Gap

Dr. Fairlie noted that the fundamental reason for the disparity between non-minority and minority small business performance is a lack of access to financial capital:

> A large body of research shows that limited access to financial capital hinders the formation and growth of minority businesses. Minority-owned businesses have substantially lower levels of financial capital invested in their businesses.

Dr. Fairlie cited Federal Reserve estimates of equity and loan investments in minority firms. On average, minority firms have $3,400 in equity investments in their businesses and $46,500 in outstanding loans. Non-minority firms have twice that level of equity investments and loans.

Dr. Fairlie maintains that the primary cause of this imbalance among minority and non-minority firms is the high level of wealth inequality in the United States. He cited 2004 data from the U.S. Census Bureau, which stated that the median net worth of African-Americans, Hispanics, and Caucasians was $8,700, $13,400, and $120,000 respectively. Since personal wealth is often a primary source for start-up capital, often times there are less minority entrepreneurs.

The low rates of home-ownership and low levels of home equity held by minorities further exacerbates the problem since home equity is often used to finance small business start-ups. He noted that less than half of African-American families own their own home, while three-quarters of the non-Hispanic, Caucasian population are homeowners.

Dr. Fairlie mentioned that a large number of minority families do not have either a checking or savings account. Twenty percent of African-American and Hispanic families do not have a bank account. In comparison, among their Caucasian counterparts, only three percent are without a bank account. He said that minorities are also more likely to use more expensive financial services, such as payday loans, which also contributes to their inability to accrue wealth over time.

Dr. Fairlie cited lending discrimination as a means of preventing minority entrepreneurs from obtaining financial capital. He noted that minority owned small businesses usually pay a higher interest rate, have more loans denied, and do not apply for a loan fearing it will be rejected. He also said that minority firms that do obtain loans pay one and a half percentage points higher interest rates on those loans than non-minority firms. These disparities do not disappear even after controlling for the age, experience and education of the owner, and the creditworthiness, size, industry, age and location of the firm, which is consistent with the existence of lending discrimination.

Dr. Fairlie said that despite these obstacles, minority-owned firms make enormous contributions to the U.S. economy by producing over $1 trillion in total, annual sales, employing

six million workers, and providing an annual payroll of $168 billion. Therefore, he noted that there is much "untapped potential" in this country.

Roundtable: Closing the Wealth Gap: Utilizing Minority Owned Businesses as Vehicles for Job Creation and Economic Recovery[68]
September 22, 2011

Introduction

On September 22, 2011 the Committee held a roundtable entitled "Closing the Wealth Gap: Utilizing Minority Owned Businesses as Vehicles for Job Creation and Economic Recovery." This roundtable did not have a video or transcript, so the below sections are based off of the Committee's Democratic staff notes and Chair Landrieu's opening statement.

Background

Chair Landrieu mentioned the need for contracting equality, "they [African-Americans] want to know that when the federal government does contract for goods and services, it does so by placing small businesses on a level playing field with big business – it's as simple as that." She also noted Dr. Fairlie's previous testimony that access to capital and extreme wealth inequality impacts the business performance between minority and non-minority firms.

During the hearing, Chair Landrieu cited a Pew Research study that showed the median wealth of Caucasian households to be almost 20 times more than African-American and 18 times more than Hispanic households. Furthermore, the study shows that the impact of the housing crash and the recession was not equal amongst all Americans. African-American households wealth declined by 53 percent from $12,124 to $5,677 compared to Caucasian households wealth decline of 16 percent from $134,992 to $113,149. The amount of wealth placed in housing had an impact on the previous numbers; African-Americans held 59 percent of wealth in their homes, whereas Caucasians held 44 percent of their wealth in their homes.

Contracting

8(a) Program

Participants discussed a policy proposal that would permit 8(a) small businesses, situated in a federal declared disaster location, a waiver from the "competitive business mix requirement" should they want to partake in emergency contracting for the disaster area they are located in. The issue is that 8(a) firms must have an even combination of income from both 8(a) related contracts and non-8(a) related contracts; if the 8(a) firm helps in emergency disaster area contracting, then they could have too many 8(a) related contracts for the most recently completed year and thus would be disqualified for 8(a) small business status for the current year until they fix the issue.

HUBZone

[68] United States. Senate Committee on Small Business and Entrepreneurship. Staff Notes/Senator Landrieu's Opening Statement - Roundtable: Closing the Wealth Gap: Utilizing Minority Owned Businesses as Vehicles for Job Creation and Economic Recovery. 22 September 2011.

Participants discussed HUBZone disaster contracting revenues and size standards. The policy proposal at hand was removing disaster related contract revenue from HUBZone firms' 3-year average income computation. Specifically, HUBZone firms participating in disaster related contracting tend to increase their revenue to the point that exceeds size standard for the HUBZone business status. As a result, HUBZone small businesses can no longer compete for HUBZone related contracts until their 3-year average is within the size standard limit again. Fixing this limitation would allow local companies to rebuild their own communities without having their business status penalized.

Economic Disadvantaged Criteria

The issue of some federal programs revising economically disadvantaged business criteria was discussed. There was a suggestion to use the same criteria for all small business programs: 8(a), Economically Disadvantaged Woman-owned Small Business (EDWOSB), Disadvantaged Business Enterprise (DBE), Woman-Owned Small Business (WOSB), and Small Disadvantaged Business (SDB).

Best Practices

Participants suggested that a "Best Practices" Annual Summit for Federal, State, and Local Governments be held. The idea was to increase communication amongst different levels of government to find and improve the best procedures for minority-owned small business contracting.

Roundtable Discussion: Closing the Wealth Gap with the African-American Entrepreneurial Ecosystem[69]
September 19, 2012

Introduction

According to Chair Landrieu, the purpose of this roundtable discussion was to develop "a strategy [for addressing the wealth and income inequality gaps] that can be adopted by the Administration [and] by Congress that are specific, measurable, and [are able to produce] accountability."

Contracting

During the roundtable discussion, participants discussed how contracting helps: underserved communities generate small business growth, minority-entrepreneurs enter into the larger private market, and the entire economy grow.

8(a) Business Development Program

[69] United States. Senate Committee on Small Business and Entrepreneurship. Transcript - Roundtable: Closing the Racial Wealth Gap with the African-American Entrepreneurial Ecosystem. Maryland: B&B Reporters, 2012.

According to the SBA, "the 8(a) Business Development Program is a business assistance program for small disadvantaged businesses. The 8(a) Program offers a broad scope of assistance to firms that are owned and controlled at least 51 percent by socially and economically disadvantaged individuals."

The 8(a) policy issues that were discussed included: 1) program participants not being well transitioned out of the program and 2) the need to adjust the net worth requirements for the program. According to the Congressional Research Service (CRS), the net worth requirements has not been adjusted for inflation since 1989.[70]

Policy proposals that were suggested included: 1) increasing the cap for set-aside small business contracts from 100,000 to 500,000; 2) increase the net worth requirements for the 8(a) program from $750,000 to $1,500,000; 3) divide businesses employed by a federal contractor into tiers based off of their industry; 4) add a three-year transition period following the completion of the nine year term limit in the program; and 5) have the net-worth threshold be in correlation with the specific small business industry.

Participants discussed the government's ability to foster communities open to contracting with underserved small businesses. Mayor Kasim Reed, Dr. Boston, and Congresswoman Yvette Clarke gave examples of underserved small businesses from their communities who have successfully contracted with the federal government. Mayor Reed noted that over the last 40 years, Atlanta has devoted 25 percent of local government contracting to minority small businesses. He mentioned that this initiative has not only helped Atlanta's entire economy grow, but it has helped underserved communities move to the private sector.

HUBZone Program

Congressman Chaka Fattah suggested an increase in government contracting efforts in Historically Underutilized Business Zone (HUBZone) areas. According to the SBA's website, "HUBZone program is in line with the efforts of both the Administration and Congress to promote economic development and employment growth in distressed areas by providing access to more federal contracting opportunities."[71] SBA's website also details that small businesses are eligible to participate, if they meet the following criteria:[72]

> 1) the main office is located in geographically underutilized areas; 2) meet the SBA's size standard requirement of a small business; 3) at least 51 percent of the ownership must be by American citizens, an agricultural cooperative, a Community Development Corporation, or Native American tribe member; and 4) 35 percent of employees live within the HUBZone area.

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[70] Manuel, Kate, Lunder, Erika. "Congressional Research Report: Federal Contracting and Subcontracting with Small Businesses: Issues in the 112th Congress." 24 January 2013. Congressional Research Service. July 2013. < http://www.crs.gov/pages/Reports.aspx?PRODCODE=R42390&Source=search>

[71] Small Business Administration. "Understanding the HUBZone Program." Small Business Administration. July 2013 <http://www.sba.gov/content/understanding-hubzone-program >

[72] Small Business Administration. "Understanding the HUBZone Program." Small Business Administration. July 2013 <http://www.sba.gov/content/understanding-hubzone-program >

Government Accountability

Congressman Fattah maintained that America needs to rebuild its economy by contracting with small businesses; she referenced Iraq's reconstruction allotting a certain percentage of work to Iraqi businesses.

Policy proposals discussed to increase government accountability and involvement are as follows: 1) government agencies should become a partner in closing the wealth gap; 2) provide federal government accountability to meet statutory contracting goals; 3) support local government's contracting goals and implementation; 4) use minority small business offices in government agencies, implemented by a measure in the Dodd-Frank Wall Street Reform and Consumer Protection Act, to ensure that minority businesses are included; 5) improve subcontracting by pairing more small businesses with corporate businesses that receive government contracts; and 6) improve access to working capital for small businesses that have been awarded contracts.

Goaling

The federal government has a goal of 23 percent of federal contracts being awarded to small businesses. Within this overall goal are sub-goals, which include: three percent for service disabled and veteran-owned small businesses; three percent for HUBZone small businesses; five percent for women-owned small businesses; and five percent for disadvantaged small businesses.[73] However, according to a CRS report, this goal is not usually met.[74] Mr. Morial suggested that the federal government "increase procurement goals for small and minority-owned businesses." Furthermore, he recommended that contracts requiring a subcontracting plan must include an independent, non-federal monitoring system, ensuring that each agency is working toward achieving these goals.

Bundling

Mr. Morial mentioned the importance of unbundling government contracts.

Counseling

General Counseling

Participants explained the importance of counseling initiatives, such as: Small Business Development Centers (SBDCs), Service Corps of Retired Executives (SCORE), Women's Business Centers (WBCs), Veteran Business Centers, as well as the need for private-public

[73] "Goaling". U.S. Small Business Administration. July 2013.< http://www.sba.gov/content/small-business-goaling>

[74] Manuel, Kate; Lunder Erika. "Federal Contracting and Subcontracting with Small Businesses: Issues in the 112th Congress." Congressional Research Service. January 2013. Congressional Research Service. July 2013. <http://www.crs.gov/pages/Reports.aspx?PRODCODE=R42390&Source=search>

partnerships and technical assistance training These counseling resources offer established small businesses and new entrepreneurs guidance in finding capital, contracting, access to global markets, information on developing business models, and tax preparation.

Increase Technical Assistance/Outreach

Ms. Bridgeja Baker, teen owner of Creative Jewelry by Bridgeja, mentioned how she used small business counseling programs to start and grow her business. These programs included: National Urban League's Entrepreneurship Center, Small Business Development Program, SCORE, Southern University, and Goodwork Network. Ms. Baker stated the importance of developing a strong small business support community and suggested increasing funds to counseling programs that could help foster such ties. Chair Landrieu echoed that more support for small business counseling is needed. The Chair promoted the development of a partnership between the federal, local, and state governments on this initiative. Mr. Kevin Hicks, Partner at Blackman and Associates, also emphasized the importance of fostering a supportive small business community in closing the wealth gap.

Ron Busby, President of the U.S. Black Chamber Inc., noted a lack of counseling program outreach to underserved communities. As a result, underserved communities go to their Chamber of Commerce or church for small business counseling.

Deputy Administrator Johns explained the SBA's initiatives to increase access to counseling and general outreach for underserved communities. These initiatives included programs such as SBA Urban Economic Forums, Historical Black Colleges and Universities (HBCUs), SBA partnerships with Chambers of Commerce and faith based groups, the SBA's young entrepreneurship initiative, the FDIC's financial literacy partnership, and the Advisory Council on Underserved Communities.

Mr. Morial suggested the creation of a Technical Assistance Fund through the Department of Commerce's MBDA. He believed this initiative could provide general counseling as well as contracting guidance.

Miriam Brewer from the International Franchise Association (IFA) mentioned IFA's partnership with Small Business Development Centers (SBDCs) and the National Urban League (NUL) to increase mentorship and outreach. She said these partnerships allowed underserved communities to become more aware of available small business resources. For example, IFA helps small business owners connect with franchisers. Chair Landrieu reiterated the importance of franchises and how they have technical assistance built into their business model.

Private/Public Counseling Partnerships

Private companies have started small business counseling initiatives; such as, the National Urban League Enterprise Centers, the U.S. Black Chamber of Commerce mentoring program, Goldman Sachs' 10,000 small businesses initiative, etc.

The National Urban League suggested looking at a partnership between the SBA and the National Urban League Enterprise Center to reach more underserved communities. NUL's 10 business centers have reached over 6,300 small businesses across the country. Both Mr. Bill Bynum of HOPE CDFI and the National Urban League are working with Goldman Sachs' 10,000 small business initiatives, which gives small business counseling to entrepreneurs with limited resources.

Congressman Fattah advocated for an increase in mentoring between thriving and growing small businesses through local Chambers of Commerce. Deputy Administrator Johns, noted the importance of fostering partnerships to propel small business growth in underserved communities:

> We know that working together on the areas of access to capital, access to Federal contracting, and access to counseling and technical assistance is important for helping small businesses use resources most effectively, those are the areas where we are going to see the most benefit to seeing small businesses grow.

Financial Literacy

Mr. Hicks stated that in order for underserved small businesses to thrive the financial literacy gap must be closed. He advocated for an initiative to increase financial literacy and urged that it become a priority in all levels of government.

HBCU Involvement

Participants discussed how Historical Black Colleges and Universities (HBCUs) provide an avenue for underserved communities to gain access to small business and entrepreneurship counseling. Dr. James Llorens, Chancellor of Southern University, mentioned the importance of bringing entrepreneurial education into colleges and increasing technical assistance programs, such as incubators, some of which are housed in HBCUs. Incubators are private-public partnerships that provide entrepreneurs with office space (at a reduced price) to run their business, office supplies, and financial grants. Dr. Llorens cited an example of when he worked for the Mayor of Baton Rouge and how they successfully partnered with Southern University to provide technical assistance for small businesses.

Chair Landrieu noted her visit to incubators across the country and how the help start-up companies thrive. Dr. Leslie Baskerville, President of the National Association of Equal Opportunity in Higher Education, mentioned that HBCUs can be a great resource for providing technical assistance to small business owners in underserved communities. Congressman Fattah echoed by saying more research dollars need to be allotted toward HBCUs in order to increase small businesses development at every stage.

Access to Broadband

Providing all small businesses with access to quality broadband is essential to closing the digital divide and wealth gap. Broadband will increase a small businesses access to capital, contracting, counseling, and trade, which can in turn help close the wealth and income gap. Chair

Landrieu stated that "high-speed internet is critical for all rural communities, but particularly for poor distressed minority communities that find themselves in rural areas." FCC Commissioner Mignon Clyburn mentioned a way to close the wealth gap is through technology and access to broadband; she mentioned that access to broadband allows small businesses to market and sell their product to millions of people, which in turn increases their company's growth.

Capital

General Capital

Chair Landrieu and participants agreed that obtaining access to capital is one of the most fundamental, and difficult to attain, means by which minorities and women open small businesses. Congresswoman Eleanor Holmes Norton cited the 2009 mortgage crisis as a factor of the wealth gap.

Mr. Hicks explained that his firm's purpose is to create wealth preservation and transference via financial literacy and advocating for partnerships between governments and educational institutions. He discussed the non-traditional ways that his firm has helped entrepreneurs obtain 401(k) as well as supplier and equity financing. Specifically, his firm, along with the SBA, Bank of America, and the Initiative for a Competitive Inner City (ICIC), started capital connection meetings. At these meetings, acquaintances are made between various financial institutions and African-American entrepreneurs to learn about angel investing, which is a form of individual private investment. Chair Landrieu said that this is an excellent way for the small business, financial, and investment communities to interact.

Ms. Brewer noted that community banks are essential to providing minority and women-owned small businesses with capital.

Congressman Fattah mentioned that under the Dodd-Frank Wall Street Reform and Consumer Protection Act there are minority-inclusion offices in all government financial agencies. He noted that these offices should be actively used to ensure access to capital for all small businesses.

Community Development Financial Institutions (CDFI)

Both Chair Landrieu and Congresswoman Clarke focused on the important function of Community Development Financial Institutions (CDFIs) creating access to capital for underserved small businesses.

Mr. Bynum noted the juxtaposition of large banks and CDFIs using Troubled Asset Relief Programs (TARP) funds. After receiving TARP funds, CDFIs are required to devote 60 percent of their financial activity to underserved communities, whereas large banks do not have the same requirement. Given that larger banks have greatly benefited from TARP funds, Mr. Bynum argued that they should be required to provide support to underserved communities.

Deputy Administrator Johns noted that the SBA opened its lender portfolio to CDFIs, via the Community Advantage Program, so that they can take advantage of SBA loan guarantees. She also mentioned that minority-run equity firms who participate in the SBA's Small Business

Investment Companies (SBICs) program increased from 11 percent in 2007 to 26 percent in 2011. The SBIC program is an additional avenue for small businesses to have access to capital.

Congresswoman Clarke and Mr. Morial stated that minority small businesses' lack of access to standard business loans often prevents them from obtaining contracts and hinders their growth. Mr. Busby noted that the U.S. Black Chamber facilitates small business lending opportunities between lenders and small businesses around the country, which in turn has allowed African Americans more access to capital. Mr. Busby also noted that the personal relationship between the lender, chamber, and small business allows the bank to look at all aspects of the business [i.e. total receipts, customer base, etc.] instead of only the small business's FICA score.

Hearing: Strengthening the Entrepreneurial Ecosystem for Minority Women[75]
May 8, 2013

Introduction

This hearing focused on the importance of minority women-owned small businesses for the economy and noted their unique barriers to capital, contracting, counseling, and trade.

Importance of Minority Women Owned Small Businesses

Chair Landrieu explained the importance of the Women's Business Ownership Act of 1988, which extended the Equal Credit Opportunity of 1974 to encompass business credit, noting that before 1974 women had to receive personal credit through a male. She highlighted that although minority women small businesses are growing, there are many obstacles to their success; such as a lack of access to capital, credit, contracting, technical assistance, and small business counseling.

The Chair emphasized that minority women owned small businesses help the entire economy grow:

> Any time small business owners achieve success, it leads to more job creation, which boosts our overall economy. As President Kennedy once said, a rising tide lifts all boats. We would like to see small businesses grow and expand and accelerate, create the jobs that Americans need and opportunities for entrepreneurship to really boost our economy and push our economy forward. It is critical to the nation's economic future that we create more of these success stories, not less. The more direct way to achieve this goal is to adequately invest in programs that work, that harness [sic] the entrepreneurial potential of minority women that are such a tremendous untapped, unrealized asset in this nation.

Deputy Administrator Johns stated that "[although] women today own 30 percent of businesses, they are still receiving only about ten percent of revenues." She noted that America's economic recovery has been increasing, but has been "uneven" for underserved communities. She said that the SBA is working to address this issue. For example, in 2011, the SBA created a Council on Underserved Communities, which provided open economic forums across the

[75] United States. Senate Committee on Small Business and Entrepreneurship. Transcript - Hearing: Strengthening the Entrepreneurial Ecosystem for Minority Women. Maryland: B&B Reporters, 2013.

country to discuss the best solutions for underserved communities. As a result of these forums she noted that the SBA has "tailored programs to improve access and opportunity in underserved communities through our 'three Cs': counseling, contracts, and capital." She mentioned that the SBA has to fill the awareness gap to ensure all small businesses understand the strength of the SBA network.

The MBDA's National Deputy Director, Alejandra Castillo, noted "minority firms are twice as likely to export their goods and services than non-minority-owned firms. Minority firms are also three times as likely to derive 100 percent of their revenues from export, and also three times as likely to transact business in a language other than English." Ms. Castillo pointed out that minority women entrepreneurs are generating substantial growth, "According to a recent study commissioned by American Express OPEN, there are nearly three million minority women-owned firms. Minority women-owned firms also generate $226.8 billion in total revenue and employ 1.4 million Americans." Ms. Castillo echoed Deputy Administrator Johns' statement that although minority women-owned small businesses are growing, they still have obstacles, such as "access to capital, access to contracts, as well as the lack of informal networks to assist in the pursuit of business opportunity." She noted that MBDA tries to thwart these obstacles through MBDA Business Centers that have since 2009 "assisted clients in accessing $14.6 billion in contracts and capital, while helping them create and retain over 33,000 jobs."

Ms. Eva Longoria, Founder of the Eva Longoria Foundation, discussed the barriers Hispanic women face in their determination to become small business owners. She mentioned that "with access to capital, financial literacy, and high-quality technical assistance and training, Latinas will continue to revitalize neighborhoods across the country."

Mr. Morial stated that "one of the most fundamental concepts of economic and social justice and economic self-sufficiency is entrepreneurship." He continued, "Empowering minority and minority women-owned entrepreneurs and accelerating their levels of growth and productivity is critical to strengthening U.S. competitiveness and overall growth." Mr. Morial also mentioned that minority women entrepreneurship is a fundamental way in which minority women enter the workforce - either by starting a business themselves or working at a woman-owned firm. He mentioned the importance of African-American women owned small businesses to the economy:

> 547,000 [African-American women owned] businesses employ 176,000 workers, and the average African-American women-owned enterprise employed the equivalent of 6.5 workers, or one worker for every $74,000 of revenue. And when we celebrate this important growth, it is important to note that if we simply empowered each of these 500,000 businesses to employ one additional person that [sic] would be 500,000 more people employed in this nation.

Ms. Sophia Parker, Founder and Chief Executive Officer of DSFederal, Inc. further reiterated the importance of minority women entrepreneurship:

> The success of minority women like me represents true American success. America's streets are paved with gold, mined by those who work hard and work diligently. Minority women entrepreneurs not only create more jobs for the disadvantaged, we are the 'Tiger

Moms,' extremely demanding, with high standards, providing a positive role model for others in societies with a passion to fulfill their American dreams.

Partnerships

Deputy Administrator Johns explained how the SBA works to maximize its resources by maintaining partnerships with the private sector and other government agencies. She noted the usefulness of the Interagency Task Force on Veterans Business Development; this is where the SBA works with the U.S. Department of Treasury, U.S. Department of Labor (DOL), U.S. Department of Defense, the U.S. Veterans Administration, and U.S. Office of Management and Budget to ensure that all veterans have the resources they need to start a small business. She also reemphasized the utility of the Start Young Initiative, which is a partnership with Jobs Corps and DOL. In terms of private sector outreach partnerships, she mentioned the National Urban League, the U.S. Hispanic Chamber, the U.S. Black Chamber, and Women Impacting Public Policy – specifically their ChallengeHER initiative – to increase women federal contracting.

Ms. Castillo discussed the importance of MBDA Centers interacting with the public "We understand that the on the-ground operation is really where it is at. This is where the business owners come into contact with the technical assistance that they so desperately need." Ms. Castillo echoed the importance of private-public partnerships by noting MBDA's partnerships with the National Minority Supplier Diversity Council, Billion Dollar Roundtable, National Urban League, SBA, Export-Import Bank, and We Bank.

Ms. Lancaster cited her small business' experience with Sikorsky Aircraft of United Technologies was positive because they [Sikorsky] made working with minority-owned firms a priority. She said that more private companies should incorporate working with minority firms into their culture as it helps the overall economy succeed.

Ms. Longoria mentioned "government provides a leadership that we [private sector] emulate." She noted that government must be a leader in helping minority women owned small businesses succeed. She heralded the 8(a) program for providing equal access to contracting, the mentor-protégé program to propel the transfer of knowledge, and the SBA's Women Business Centers as a way to counsel small businesses. She noted that we must look at "business as a continuum, you have the start-up, you have the maintenance, and you have the growth." She noted that small businesses not being aware of available resources is a "barrier itself". Ms. Longoria explained that her initiative with Warren Buffet requires a small business to go through small business counseling prior to attaining a loan. She has found that counseling along with capital is a critical partnership to "set them [small businesses] up for success."

Capital

General Access

Deputy Administrator Johns mentioned that the SBA is working to promote micro-loans to help fill the gap of minority women small businesses not attaining conventional loans; she noted that capital access is essential to their [minority-women owned small businesses] success. Specifically, the SBA is focusing on the Small Loan Advantage program and the President's Budget which would eliminate SBA's 7(a) loan fees for loans lower than $150,000. She noted that the SBA has improved access to capital through the Community Advantage initiative, which

is now able to use SBA's loan guarantee, Community Development Financial Institutions, and micro-loan intermediaries.

Ms. Castillo mentioned that Hispanic women owned small businesses face obstacles in education and training, but access to capital is the largest obstacle whether they are starting, maintaining, or growing their companies. She noted that in January of 2010, MBDA released a report, *Disparities in Capital Access between Minority and Non-Minority-Owned Businesses: the Troubling Reality of Capital Limitations Faced by MBEs.* Some of the key findings of the report include:

1. Minority-owned firms are less likely to receive loans than non-minority owned firms regardless of firm size. According to an analysis of data from the Survey of Small Business Finances, for firms with gross receipts over $500,000, 52 percent of nonminority-owned firms received loans compared to 41 percent of minority-owned firms.

2. When minority-owned firms receive financing, it is for less money and at a higher interest rate than non-minority-owned firms, regardless of the size of the firm. Minority-owned firms paid an average of 7.8 percent in interest rates for loans, compared to 6.4 percent for non-minority-owned firms.

Ms. Longoria noted that the lack of access to capital for Latinas prompted her to partner with Howard Buffet to issue $2 million in micro-loans.

Ms. Lancaster said that she ran into roadblocks to find capital for her business; specifically, it was difficult for her to gain a loan even with her 8(a) and SDB status and 10 years in the business. She continued that this "is a very common story for women minority-owned business. Several of my fellow entrepreneurs had both SDB business, 8(a) contracts, and larger commercial contracts, and banks will not touch them. Even business owners with SBA guarantees struggle to get the banking community to invest in their organizations, an often when they do, at a higher interest rate, much higher than the market." She said that non-minority/non-female small businesses' experience of low capital attainment from the recession is a normal experience for a minority-women owned small business.

Mr. Morial noted that ways to increase access to capital could be through SBA, private-public partnerships and the New Markets Tax Credits program, which could apply to start-up companies that need funds from $25,000 to $500,000 in loans. He also noted that the Urban League has started its own CDFI that will help fill access to capital gaps. Mr. Morial added in his closing statement that government should look at the private sector and non-profit sector successes in order to find new ways to help all small businesses prosper.

Wealth Gap

Chair Landrieu mentioned that entrepreneurship is critical to close the wealth gap by saying "what our committee wants to focus on, closing this wealth gap and recognizing women entrepreneurs as really an extraordinary untapped resource for this nation. Women, Asian American women, Hispanic women, African American women, and I am glad that Senator Heitkamp brought up in our Native American community, some women are particularly distressed and disadvantaged and we could unlock that potential."

Senator Heidi Heitkamp noted the importance of entrepreneurship for Native Americans with "We need to build opportunities in Indian Country, which has staggering amounts of poverty, staggering amounts of lack of capacity in both education and business capacity."

Deputy Administrator Johns spoke about the wealth gap, "You [Chair Landrieu] have held very important conversations about what we know is the very tough challenges of the wealth gap in this country. But I know that small business creation and the jobs that those small businesses create for our economy, that is the answer. And so the more that we can leverage the power of our partnerships, the power of the SBA's network, and bring more underserved communities into job creation, small business creation, that is the answer to building a stronger economy for all of us."

Ms. Marianne Lancaster, President and CEO of Lancaster Packaging, Inc., noted that her SDB 8(a) firm is on the road to make $18 million this year, but that lack of access to capital as stopped it from becoming a $50 million firm. She noted the lack of wealth African-American families have as compared to Caucasians contributes to lack of access to capital. She noted that many entrepreneurs rely on their friends and family for capital, but due to the wealth disparities, this is not always easy for minorities. Ms. Lancaster explained that many minority-owned small businesses get capital for their business through their home equity, but with declining housing prices it has been difficult to attain that capital.

Contracting

Deputy Administrator Johns thanked Chair Landrieu for her "support of the National Defense Authorization Act, which allowed the ceilings on contract opportunities for women-owned small businesses to be eliminated so that there are no more barriers, no more boxes that women businesses have to fit in."

Ms. Sophia Parker, Chief Executive Officer of DS Federal, spoke about creating the American dream by starting her own company. She noted, "The process of becoming an 8(a) company was arduous, but fair and honest," she went on to say, "the SBA's strict standards and procedures helped our company." Ms. Parker noted that the Mentor-Protégé program helped her company grow and in return they have taken pride in mentoring other minority and women owned small businesses to help them prosper.

Mr. Morial recommended unbundling federal contracts and more agency oversight to ensure that they reach their procurement goals. He also said private companies that successfully contract with minority small businesses should be looked at as examples for other private companies.

Ms. Castillo suggested unbundling contracts to thwart lack of access.

Counseling

Women's Business Centers

Chair Landrieu noted the importance of the National Women's Business Council, which started SBA's Women's Business Centers. She acknowledged that after Women's Business

Centers were created, the Census found women small business grew by 55 percent between 1997 and 2004.

Deputy Administrator Johns noted that the SBA's Women's Business Centers have helped over 500,000 entrepreneurs. She mentioned a particularly successful initiative with the SBA and Jobs Corps' Start Young program, which helps young women see small business ownership as a career option. She continued, "the SBA has also learned that intensive entrepreneurship education for existing business owners, especially in underserved communities, has a powerful positive impact, filling gaps in training and access."

Deputy Administrator Johns said what makes Women Business Center's unique from Small Business Development Centers and SCORE is that they are usually located in underserved areas and are usually non-profit. She said that job creation grows when entrepreneurship training reaches entrepreneurs that need it.

Ms. Longoria mentioned that if Congress wants to see minority women small business succeed, then it should re-authorize Women Business Centers with higher funding as it has not increased since 1999. She said, "By investing and giving Latinas the tools to unlock their potential, we can create a brighter economic future for our country."

General Counseling

Chair Landrieu acknowledged "the minority community traditionally does not have the same social networks, leveraging, friendships and other things that enable people to access opportunity for capital."

Ms. Lancaster said that her personal success from using the MBDA Center of Boston is a testament to how imperative MBDA Centers are for minority women-owned business throughout their business cycle. She noted that even today, she struggles to get a seat at the table and if she does, to be seen as a legitimate contender to contribute. She said that when potential clients realized that there was no father or husband or better yet a white business man behind her, she felt it took them a long time to see value in her business. She also felt that it took funders even longer to see the viability in a company run by a young black woman.

Ms. Lancaster started selling military spec. bags for the Aerospace Industry out of her house. In her early days, she worked with the Minority Business Development Center of Boston. She heralded them [MBDA Center of Boston] for helping her write a business plan and starting her business.

Trade

Ms. Castillo noted the President's Free Trade Agreement for Latin America as an initiative that needs to continue. She highlighted that some minority women small business owners already have a connection to these areas and can be prosperous due to understanding the language and culture.

Importance of the SBA and MBDA

In her closing statement, Ms. Longoria mentioned that "diversity breeds innovation, and that is what our country needs right now." She noted that there are only 40 MBDA business centers in 25 states with "way more women that need access to these small business centers," she continued "let us fight for them and their funding."

Ms. Parker mentioned the importance of SBA capital, counseling, and contracting programs for minority women owned firms and that the SBA should be the first stop for potential entrepreneurs. She said "the government's investment in SBA is very small and the return is huge." Specifically, the Mentor-Protégé [program] helps 8(a) companies prosper. Chair Landrieu noted that the SBA's micro loan to Ms. Parker has helped the economy two-fold because Ms. Parker's company creates jobs, generates revenues, and does domestic as well as international charity work. In her closing statement, Ms. Parker noted that the SBA is underfunded and that there are not enough Business Opportunity Specialists to handle all of the casework.

Ms. Lancaster said that entrepreneurs' first stop should be at the MBDA and SBA, because they helped her company. In her closing statement, she echoed other witnesses' comments about supporting the MBDA and SBA.

Mr. Morial echoed that SBA's investment into small businesses is small but has a high rate of return for the economy. He noted that starting a business means creating more taxpayers that can boost the financial well-being of the entire country. In his closing statement, Mr. Morial said "protect and defend the SBA and MBDA" specifically he noted "do not allow those agencies, which are already small, to come under more stress when the return on investing in them is quite high. Protect and defend the SBA and the MBDA and the government's infrastructure that supports small businesses."

IV. Additional Organizations' Policy Recommendations

The majority staff asked for organizations and scholars interested in the wealth gap to submit policy recommendations to close the gap through small business growth. Below are summaries of their responses.

Dr. Lucy Reuben, Duke University, Professor of the Practice of Business Administration

Dr. Lucy Reuben, Professor of the Practice of Business Administration from Duke University, submitted the following policy suggestions to close the wealth and income gap through small business growth. She notes that entrepreneurship spurs substantial economic growth and job creation. First, Dr. Reuben suggests the creation of student loan interest-free deferment programs for entrepreneurs, which could be similar to student loan programs for lawyers, teachers, and nurses. She notes that the large rise in student loan debt thwarts potential entrepreneurs from starting an innovative small business. Second, she recommends the development of entrepreneurial savings accounts, so that potential or new entrepreneurs have more access to capital. Dr. Reuben notes that this endeavor would be a tax-favored savings account for a small business to use within their first five years of their business cycle. Moreover, they could be modeled off of health savings accounts or retirement accounts. Third, Dr. Reuben supports tailoring social security policy so that potential entrepreneurs over the age of 50 are not financially penalized for starting a small business. Specifically, she supports minimizing penalties for early retirement in regards to small business owners. Fourth, she recommends providing funding for Employee Stock Ownership Plans (ESOP) technical assistance for the Small Business Administration and the Minority Business Development Administration. Dr. Reuben also recommends that "tax-favored status of ESOPs should be enhanced by extending the tax-favored status of the proceeds from stock sales to ESOPs to amounts up of 50 percent of proceeds up to $100,000 when such proceeds are re-invested in cash or cash equivalents." She notes that ESOPs help small businesses stay afloat and allow for increased wealth accumulation. Fifth, Dr. Reuben recommends a 25 percent tax credit ("up to credits of $25,000 per year") be given to angel investors who give money to community development corporations and non-profit organizations that focus on domestic job creation and/or exporting American goods overseas. She notes that there is a "network gap" between angel investors and entrepreneurs in underserved communities.

Dr. Robert Fairlie, University of California Santa Cruz, Professor

Dr. Robert Fairlie, Professor from the University of California Santa Cruz, has submitted the following policy suggestions to help close the wealth and income gap through small business growth. Per Dr. Fairlie's 2008 study, he notes that limited access to capital is a critical factor in the ability of a minority owned small business to survive. He notes that America's wealth inequality contributes to the lack of access to capital for minority small businesses. Specifically, wealth is often used as startup capital or investors require an owner to invest in their own company to demonstrate incentive. First, Dr. Fairlie recommends promoting policy that increases minority bank usage rates and financial literacy. Specifically, he notes that the Census Bureau, Bureau of Labor Statistics, and the FDIC have accounted for more than 20 percent of African-American households not having a bank account and just below 20 percent of Hispanic households not having a bank account. He also notes that more affordable community bank loans could help in creating wealth. Second, Dr. Fairlie highlights that homeownership is a key wealth building tool. He suggests policies that propel "financially responsible homeownership" should be promoted. Third, Dr. Fairlie recommends supporting small business counseling endeavors through the form of internships, mentoring programs, or apprenticeships. Specifically, he recommends that training include "hands-on experience" in an entrepreneur's field in addition to classroom training and one-on-one counseling; Dr. Fairlie also mentions the possibility of prior work experience as a pre-requisite to small business training.

Urban Institute Senior Fellows

The below suggestions to close the wealth gap are the views of Urban Institute Senior Fellows Signe-Mary Mckernan and Caroline Ratcliffe. These policy recommendations do not reflect the views or beliefs of the Urban Institute.

First, Mckernan and Ratcliffe suggest that low-wealth families have more access to education. They recommend that public policy include education subsidies to give low-wealth families the same opportunity as high-wealth families to attain higher education. They note that since high-wealth families have more assets, they are more able to finance their children's college education. Second, the researchers suggest that homeownership tax subsidies be shared more equitably with low-income families. They noted that homeownership is a key asset for wealth accumulation. Furthermore, they highlight its power comes from making monthly mortgage payments, which are a form of forced savings to build equity - even if the property value does not appreciate. Third, Mckernan and Ratcliffe suggest that access to capital for low-wealth demographics such as African-American and Hispanic small business should improve. They note that owning a small business can help "patch income shortfalls", as well as expand a family's wealth outside retirement and homeownership. Fourth, they suggest creating automatic IRAs as a retirement savings mechanism. Under automatic IRAs, employers who do not provide retirement accounts for their employees would automatically deposit part of the employee's paycheck into an IRA; however, an employee could opt-out should they not want to participate.

They note that automatic enrollment in retirement plans help employees save for retirement. Fifth, the researchers suggest that the Assets for Independence program under the 1998 Assets for Independence Act be re-authorized. They note that Individual Development Accounts (IDAs) are savings accounts directed toward low-income families to help them save for wealth investments in education, small businesses, or homes by "matching earned income deposits." They cite their joint research ("Weathering the Storm: How Have IDA Homebuyers Fared in the Foreclosure Crisis?" October 2011) to show that IDAs have helped maintain homeownership: foreclosure rates for homebuyers who bought through an IDA program were, "one-half to one-third the rate for other low-income homeowners in the same communities."

National Urban League

The National Urban League (NUL) makes the following recommendations for closing the wealth and income gaps through small business growth. First, they suggest increasing the cap on set-aside small business contracts from $100,000 to $500,000. Second, NUL recommends the unbundling of government contracts to allow minority small businesses an equal opportunity to compete. Third, they support raising federal contracting goals for small as well as minority owned businesses. Furthermore, they suggest an independent monitoring agency screen whether goals were met. Fourth, NUL recommends that the Department of Commerce's Minority Business Development Agency create a technical and contracting assistance fund. Lastly, they suggest the elimination of SBA guarantee fees on advantage loan initiatives in order to encourage minority small business capital access.

National Association for the Advancement of Colored People (NAACP)

The NAACP's Economic Department makes the following suggestions to close the wealth and income gap through small business growth. First, they recommend that the SBA's sequester budget cut be restored. They note that according to the National Association of Government Guaranteed Lenders, $900 million small business loans are expected to be lost due to this budget cut. Second, NAACP recommends that SBA loan guarantees should be required to focus on micro-lenders that fund micro-businesses, which tend to be minority-owned small businesses. Third, this organization suggests that SBA counseling programs – such as Small Business Development Centers, Service Corps of Retired Executives, and Women Business Centers – provide confirmation of community based organization partnerships. Fourth, NAACP supports incentives for microbusiness lending; including tax free or reduced tax rate interest on 3+ year loans with deferred principal payments. They note that microbusinesses typically need a small dollar loan, but due to their individual lack of wealth and family wealth they cannot ask for a personal loan from a friend or family member. Fifth, they suggest that the Federal government's commercial and real property attained through foreclosure in high unemployment zones should be made available for purchase lower than market value for minority small businesses and/or minority entrepreneurs. Sixth, NAACP supports strengthening federal policies for contracting and subcontracting with economically disadvantaged small business. Seventh,

they recommend that entrepreneurial training be included in federal funded workforce development programs. Lastly, NAACP recommends that an allotted sum for unemployment payments be given to starting a small business, which they note could help with start-up costs.

The U.S. Black Chambers, Inc.

The U.S. Black Chambers, Inc. (USBC) has issued policy suggestions for addressing the wealth and income inequality gap. USBC maintains that a contributing factor to the overall wealth and income inequality gap is the high percentage of single-parent households within the African-American community. In dual-family households, children have access to more resources due to the contribution of two, separate incomes. Often, this lack of vast resources prevents these children from competing with their counterparts, thus limiting future career options. USBC also maintains that the amount of current and relevant data on small businesses is inadequate and antiquated. For example, the most recent Survey of Business Owners published by the U.S. Census Bureau is from 2007. By the time the next survey is released in 2015, the data will already be outdated. The public and more specifically, the business community, need real-time, actionable data. Other policy recommendations include increasing access to diverse capital sources, such as crowd-funding, private equity, traditional banking, and microfinance; providing procurement opportunities in the public and private sector; initiating entrepreneur training and mentoring programs to promote access to intellectual capital and emerging consumer markets; developing technology in underserved and rural communities, specifically small businesses leveraging the use of smart phone applications, digital media strategies, search engine optimizations, and global e-commerce; and lowering tax burdens to promote small business start-ups and expansions.

Native American Contractors Association

The Native American Contractors Association (NACA) provided the following policy suggestions to close the wealth and income gap. They noted that this gap includes Indian Country, Native Hawaiian Organizations, Tribes, and Alaska Native Corporations. They mention Native Americans have distinctive barriers to wealth creation. Specifically, title to Tribal and individual Native lands are often held in trust by the United States, and thus are not allowed to be used as assets for collateral. In turn, this blocks the ability to gain capital via entrepreneurship, homeownership, and other wealth avenues. First, NACA suggests that U.S. Senate Committee on Small Business and Entrepreneurship research and propose broad ways of supporting Native American small businesses owned both by Tribal entities but also individual Indians. They noted that some of these communities have generated wealth through assets owned by the Tribal government or Native communities. Through these assets, Tribes, Alaska Native Corporations and Native Hawaiian Organizations invest in human assets through programs such as: scholarships, training programs, education initiatives, housing assistance etc. Furthermore, NACA highlights that the SBA's 8(a) program has been successful in bringing capital and resources to these communities and the 8(a) program needs to be supported as well as

strengthened to propel economic development. Second, this organization suggests that the U.S. Senate Committee on Small Business and Entrepreneurship hold a hearing specifically on Native American small businesses and barriers to wealth creation in Indian Country. Third, NACA notes that job creation is imperative to building assets; they note that the unemployment rate in Indian country has an average of 25 percent, but is 70-80 percent in some areas. Fourth, this organization notes that improving Native American economies through entrepreneurship, education, home ownership etc. will help close the wealth gap; they highlight that policies should empower Tribal governments to determine how to address these challenges.

National Association for Latino Community Asset Builders

The National Association for Latino Community Asset Builders (NALCAB) recommends the following. First, they suggest that the U.S. Senate Committee on Small Business and Entrepreneurship hold a hearing specifically about Hispanic small businesses and available federal resources. Second, NALCAB recommends growth of the SBA's Women Business Development Center in order to expand the availability of linguistically and culturally relevant materials and services for economically disadvantaged small businesses. Third, they recommend that the Department of Labor's (DOL) Workforce Investment Act (WIA) pilot program allot funding toward the integration of workforce development and small business development services. Lastly, they suggest that the Department of Commerce's Office of International Trade report to Congress regarding the potential for investing in U.S. immigrant small business in order to increase export and import trading.

National Coalition of Asian Pacific Community Development (NCAPCD)

The National Coalition of Asian Pacific Community Development (NCAPCD) suggests the following policy recommendations to close the wealth and income gap through small business growth. First, they support a national technical assistance intermediary between the SBA and minority small businesses that is located in economically disadvantaged areas to ensure minority small businesses have access to small business training. Specifically, NCAPCD would like an intermediary focused solely on Asian Americans and Pacific Islanders (AAPI) small businesses. Second, they recommend a federal racial and ethnic study that analyzes and locates geographic areas that need small business technical assistance and funding. Third, NCAPCD highlights that banks collect SBA loan data via zip code and not by ethnicity; they note that due to this method it is difficult to see what percentage of SBA loans and technical assistance the AAPI community receives. Fourth, NCAPCD suggests that small businesses have access to linguistically and culturally appropriate services and products. Fifth, they recommend that SBA's technical assistance program funding be protected. Sixth, they suggest increasing funding for federal programs that propel access to capital for minority small businesses. They highlight the SBA's Prime and Microloan programs as well as Community Development Financial Institutions (CDFI) Fund as such programs. Seventh, they recommend increasing the number of certified CDFIs and Community Development Enterprises (CDEs) that serve the AAPI community.

Eighth, they recommend that the 8(a) business development program include eligibility for Native Hawaiians. Ninth, they support private sector investment in minority small business. Specifically, they would like the Community Reinvestment Act to be revised so that private companies receive the same tax incentive when they fund technical assistance as they do when they invest capital in small businesses. Tenth, they recommend data transparency between the banking industry and minority small businesses. Specifically, the Consumer Financial Protection Bureau (CFPB) should begin collecting small business data about the AAPI community. Eleventh, they would like banks to issue more lines of small business credit. Twelfth, they recommend that federal small business technical assistance programs be fully funded. Specifically, they support SBA's PRIME and Women's Business Centers; USDA's business development programs; and Department of Labor's Workforce Funds. They also note that tax preparation assistance should be promoted across resources and organizations that aid small businesses.

The National Community Reinvestment Coalition

The National Community Reinvestment Coalition (NCRC) has submitted the following policy suggestions to close the wealth and income gap through small business growth. First, NCRC suggests increasing lending data transparency toward underserved businesses. Specifically, they note that under the Dodd-Frank Wall Street Reform Consumer Protection Act of 2010 the Consumer Financial Protection Bureau is required to collect data on undeserved businesses and has not done so yet. NCRC supports data collection because it will help track the trend of minority small businesses being denied loans more than non-minority small businesses and women owned small businesses not receiving the same loan amount as male owned small business. This organization highlights that banks with less than $10 billion in assets are fighting to not be included in the before mention data collection, which NCRC notes is unacceptable as they lend the majority of small business loans. Second, this organization supports enhanced technical assistance of small businesses. Third, NCRC recommends an increase in the federal government contracting goal from 23 percent to 25 percent and encourages the adherences to this metric, so that all small businesses have an opportunity to succeed.

The Insight Center for Economic Development

The Insight Center for Economic Development recommends the following to close wealth and income gaps through small business growth. First, Insight recommends that all levels of government encourage the use of a micro and emerging business category for contracting goal programs. They note that micro-businesses are usually companies with less than five employees and that emerging small businesses tend to have less than $1-2 million in annual sales. Insight highlights that without this change many small businesses will have difficulty participating in Small Business Enterprise (SBE) programs. Second, this organization recommends that federal purchasing goals, which require a percentage to be from SBE program participants and

disadvantaged small businesses, be extended to state and local government grantees. They highlight that currently only two agencies, the U.S. Department of Transportation and the U.S. Environmental Protection Agency utilize this internal requirement. Third, they recommend an expansion of the SBA loan programs in Community Development Financial Institutions (CDFIs). Fourth, Insight suggests establishment of a country-wide loan guarantee fund pool so that CDFIs, SBE banks and credit unions can guarantee more loans targeted to micro and emerging businesses. Lastly, this organization recommends enactment of a business tax credit program focused on micro and emerging businesses. They note that this program could promote job creation, business growth, and owner savings; because it would concentrate on small business owners whose personal net worth drops underneath a predetermined level.

Association for Enterprise Opportunity

The Association for Enterprise Opportunity (AEO) has issued the following policy suggestions to close the wealth and income gap through small business growth. They note from that closing the wealth gap through entrepreneurship is essential, "If one in three microbusinesses hired a single employee the U.S. would be at full employment" [AEO "The Power of One in Three"]. AEO also highlights, "The median net worth of business owners is two and a half times greater than for all non-business owners. For an African-American, the difference is nearly eight times higher for business owners compared to non-business owners. For an African American woman, the difference is more than ten times. For a Latino male, the difference is five-fold" [AEO "The Power of One in Three"]. First, this organization recommends the streamlining of rules and regulations as well as removing barriers to growth. They note that the federal government can be a strong partner in creating and growing small businesses. Second, they support funding for non-profit small business counseling organizations. Specifically, they suggest funding for the SBA's Women Business Centers and Program for Investment in Micro Entrepreneurs; the U.S. Department of Treasury's Community Development Financial Institutions (CDFI) Fund; and the U.S. Department of Agriculture's Rural Micro-Entrepreneur Assistance Program. They note that according to the Aspen Institute's "Facts about Business Ownership" 88 percent of entrepreneurs who gained small business counseling were still in business after five years, whereas 50 percent of entrepreneurs who did not receive this training were out of business. Third, AEO recommends that lending programs targeted toward microbusinesses be supported as they are essential to success. Specifically, this organization endorses the SBA's Microloan Program, the U.S. Department of Treasury's CDFI Fund, and the U.S. Department of Agriculture's Intermediary Relending Program. According to AEO's "One in Three" research, "emerging businesses that received adequate training and capital experienced median annual revenue growth of 69 percent." Fourth, this organization recommends fixing the DOL's workforce development structure for employment seekers interested in owning a small business. Under the Workforce Investment Act (WIA) this structure is not incentivized to allow entrepreneurial training because being self-employed is not

considered to be re-entering the workforce. If job training locations were allowed to mark entrepreneurship as creating a job, then this issue could be resolved.

Institute for College Access & Success

The Institute for College Access & Success (TICAS) suggests the following policy recommendations to close the wealth and income gap through small business growth. They note that lessening the burden of student debt and aiding borrowers to stay in good standing with their repayments will facilitate the creation, maintenance, and growth of small businesses; thus, entrepreneurs will be more able to contribute to their companies and gain access to capital. First, they suggest growing access to need-based student financial aid in order to diminish the need to borrow. This includes protecting and strengthening Pell grants, simplifying the process for federal student aid, and promoting federal "maintenance of effort provisions" that incentivize states to continue investing in higher education. TICAS notes that lowering student debt is important for graduates trying to find startup capital for a small business. Second, they recommend increasing information transparency about the cost of higher education in order for students to make informed decisions about where to attend college and the means to pay for it. This includes promoting and improving tools such as the White House's College Scorecard, requiring a consistent format for award letters, and increasing the availability, usability and comparability of net price calculators. They also noted the importance of enhancing student loan counseling via improvements in timing, efficiency, and content. Third, this organization suggests improving and promoting awareness of income-driven repayment plans. Specifically, they support the reorganization of current federal income-driven repayment plans into one plan with a simplified application process and better targeted benefits. TICAS notes that basing student loan payments on the borrower's income allows small business owners the ability to have low monthly payments when they start their business and increase their payment rate once their company starts to grow and create more revenue. Fourth, TICAS recommends supporting consumer protections for private education loans. They note that private loans can burden small business owners with unnecessarily high debt that obstructs entrepreneurship, because they usually have variable interest rates and they are not protected by the income-driven repayment plans and borrower protections that federal student loans have. TICAS also supports creating meaningful modifications for pre-existing high-cost private loans and ensuring that private loans are treated like similar forms of consumer debt in bankruptcy. Furthermore, they recommend that colleges certify all private loans prior to disbursement in order to ensure that borrowers are aware of available federal grants and loans, and to prevent over-borrowing. Fifth, TICAS recommends ensuring career education programs prepare students for employment by eliminating funding for programs that regularly leave students with debt they cannot repay and by barring schools from using taxpayer dollars for recruiting and advertising.

PolicyLink

PolicyLink suggest the following policy recommendations to close the wealth and income gap through small business growth. First, PolicyLink suggests the continuation of government inter-agency partnerships that help low-income entrepreneurs. They cite the Jobs and Innovation Accelerator Challenge as a case of multiple agencies [Department of Commerce, Department of Energy, Department of Labor, and the SBA] facilitating public-private partnerships to ensure economically disadvantaged small businesses have an equal opportunity in the manufacturing sector. PolicyLink recommends that inter-agency partnerships ask grant applicants to include a plan for using minority-owned businesses and also collect data on how these partnerships affect minority communities' quantity and quality of job growth. Second, the organization recommends that the SBA and the Department of Commerce's Minority Business Development Agency be required to report to Congress about their coordination between the agencies for regulatory and statutory small business development requirements. Third, PolicyLink suggests a focus on regional and local community development in order to enhance local small business sectors. They specifically note the Healthy Food Financing Initiative and the Sustainable Communities Initiative as programs that should be funded and supported by all levels of government, because they improve the environment in which minority small businesses are located. PolicyLink notes that the Healthy Food Financing Initiative has a small business component. Community Development Financial Institutions (CDFIs) can provide unique financing for independent food retailers to invest in underserved communities that do not have access to healthy food. These financing packages could help minority-owned firms and minority/disadvantaged farmers gain access to different markets. They can provide small and larger financing packages to allow different sized minority-owned firms the resources they need. Policy Link also cites the inclusion of minority-owned firms in the Sustainable Communities Initiative. They note the inter-agency partnership between the Department of Housing and Urban Development, Environmental Protection Agency, and the Department of Transportation facilitates a grant process in which local communities have input into their economic development. PolicyLink suggests that this partnership involve minority-owned small businesses more.

Associated Black Charities

Associated Black Charities (ABC) makes the following policy suggestions to close the wealth and income gap through small business growth. First, they recommend supporting African-American small businesses through increased access to markets and market opportunities, which will enable them to expand their businesses and employee base. Second, ABC recommends increased access to capital and management tools for African-American small businesses further along in the business life cycle. Third, they suggest that programs designed to help small and/or African-American businesses be held accountable via specific metrics related to how their services help the businesses' bottom line. Lastly, ABC supports technical assistance for small and African-American businesses in order to grow and develop human capital.

National Small Business Advocate

The National Small Business Advocate (NSBA) recommends that the wealth and income inequality gap can best be addressed via the following five areas: lending, health care costs, crowd-funding and general solicitation, small business credit scores, and finders and business brokers. NSBA suggests two changes to the SBA lending programs: (1) temporarily reinstate the 90 percent guarantee on SBA 7(a) loans and (2) eliminate the borrowing fees attached to both 7(a) and 504 loans. NSBA also endorses the extension of the American Recovery and Reinvestment Act's small business provisions, as well as the elimination of restrictions on credit union lending to small businesses. Since rising health care costs have an adverse effect on small businesses, NSBA advocates the controlling of health care costs by strengthening both quality and price competition among health care providers, as well as increasing the role of regular Americans in their consumption of health care services. NSBA also suggests that the crowd-funding and general solicitation provisions of the JOBS Act impose only the minimum necessary costs and regulatory controls on small firms who need to raise capital. NSBA also exposes the enactment of legislation to address banks' credit score reliance. Rather, this organization prefers alternative methods for evaluating small business creditworthiness. Lastly, NSBA recommends the easing of the broker-dealer registration requirements for those who are assisting small businesses in obtaining investors or selling their business.

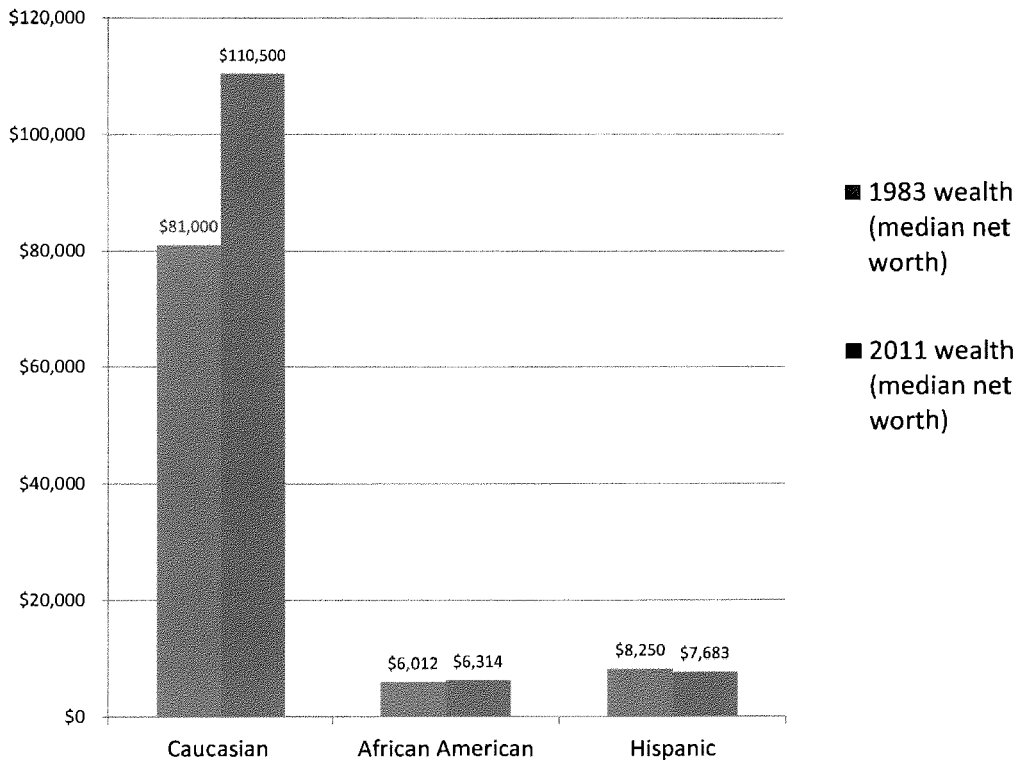
V. Conclusion

It is imperative that all small business have equal access to capital, contracting, counseling, and trade. That is why Chair Landrieu has promoted and passed legislation to ensure this happens.

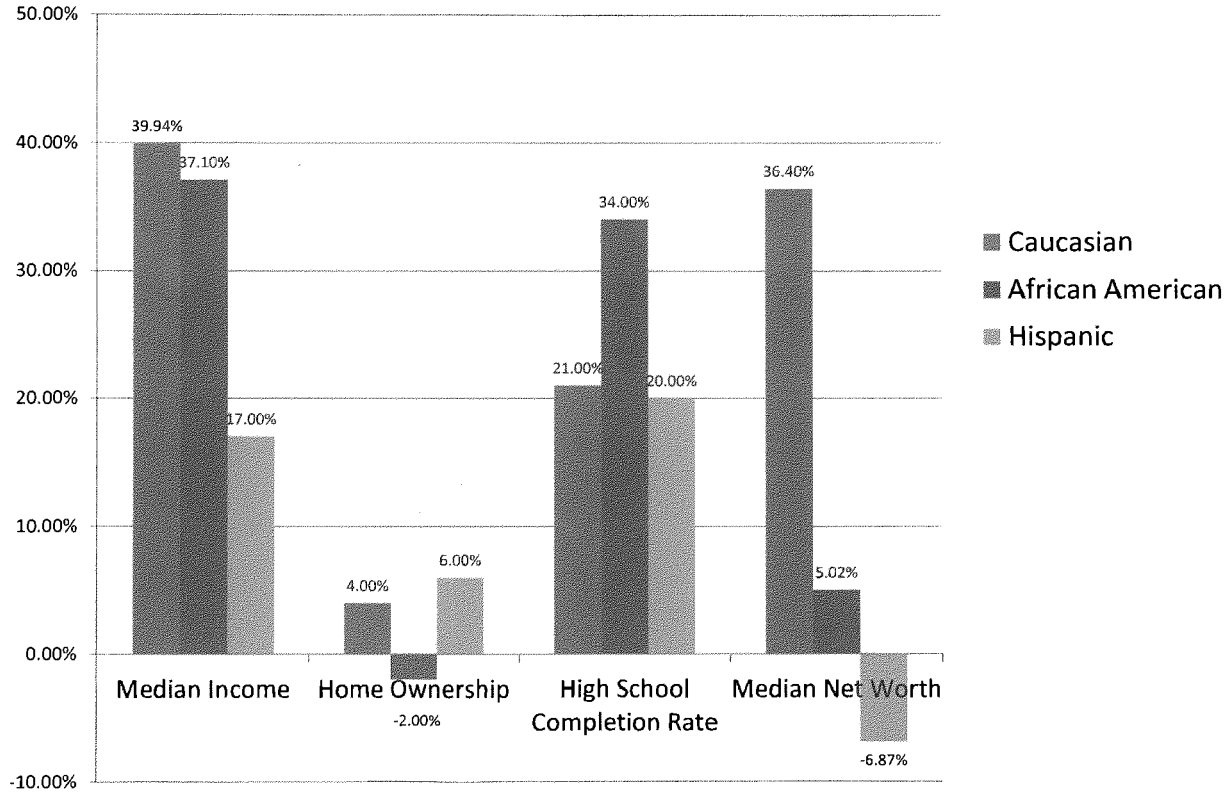
Small business data organized by demographic is critical to understanding the needs of all entrepreneurs. The Census does not organize Asian-American data by ethnicity and in turn does not show the broad economic condition of this population. One persistent issue is the lack of Native American data. The Census puts Native American wealth into an "other" category and therefore doesn't allow for the full economic picture of this population. The U.S Senate Committee on Small Business and Entrepreneurship looks forward to increased data collection; specifically, the Consumer Financial Protection Bureau's statutory requirement to fulfill section 1071 of the Dodd-Frank Wall Street Reform Act, which requires collection of small business data by demographic.

The wealth gap is a problem for all Americans. If the wealth gap is closed, then the entire country will benefit and the country will be more financially stable. The Declaration of Independence states that "all men are created equal and are endowed by their Creator with certain unalienable rights." Our founding fathers promoted equality and it is imperative that we as a nation acknowledge and find ways to fix the inequality of wealth because it hinders "the pursuit of happiness". This report has highlighted a small segment of the gap by focusing on small business, but the issue is much larger and needs further analysis and action. As a nation, we must come together to ensure that all demographics are treated equally in their pursuit of economic prosperity and social equality.

Median Net Worth by Race 1983-2011



Percentage Change by Race 1983-2011



Introduction

My name is Robert N. Rubinovitz, and I currently serve as the Deputy Chief Economist in the Economics and Statistics Administration at the Department of Commerce where I oversee the staff in the Office of the Chief Economist. Prior to this, I served as a Vice President at NERA Economic Consulting, where I analyzed economic and policy issues in such areas as telecommunications and media, pharmaceuticals and over-the counter drugs, retail products, and financial services and developed expertise in the application of econometrics to merger analysis and other applied microeconomic topics. From 1988 to 1997, I was an economist at the Antitrust Division of the U.S. Department of Justice, where I analyzed the effects that mergers, long-term contracts, regulations, and legislation had on competition in industries such as banking, healthcare, radio, cable television, and ticket distribution. I also spent time on a detail at the Federal Communications Commission. I have also published articles on cable television deregulation and on the treatment of fixed cost savings in merger analysis. I hold a Ph.D. in Economics from the Massachusetts Institute of Technology. A copy of my c.v. is attached to this report (Attachment 1). I have not been compensated beyond my government salary for this report.

The Department of Justice has asked me to review data on government contracting to assess the relationship between contracting outcomes for small businesses and the type of ownership of these businesses. As discussed in more detail below, I analyzed data on government contracts for small businesses for FY 2012 and looked at whether, holding constant various factors that might influence the award of a contract, firms that were "small disadvantaged businesses" (SDBs) were more or less likely to win federal prime contracts relative to the other small businesses.

SDBs are businesses that are 51% or more owned and controlled by one or more disadvantaged persons; the disadvantaged person or persons must be socially disadvantaged and economically disadvantaged; and the firm must be small, according to SBA's size standards. Since October 2008, qualified small businesses can self-certify as SDBs. *See* SBA SDB Definitions (available at http://www.sba.gov/content/disadvantaged-businesses). SDBs are generally (but not always) owned by persons belonging to groups presumed to be socially disadvantaged (i.e., Blacks, Hispanics, Asians, and Native Americans).

Some SDBs are also part of the SBAs 8(a) Business Development Program. The 8(a) program was created to help small-disadvantaged businesses compete in the marketplace and to assist them in gaining access to Federal and private procurement markets. To be admitted to the program, a company must meet the eligibility criteria set out in 13 CFR Part 124, including (1) the size criteria to be a small business established in SBA regulations, and (2) the requirement that majority owners be economically and socially disadvantaged individuals. 8(a) businesses are generally (but not always) owned by persons belonging to groups presumed to be socially disadvantaged (i.e., Blacks, Hispanics, Asians, and Native Americans). Participants in the 8(a) program receive special consideration for Federal contracts. For example, procuring agencies can limit contract competitions to 8(a) firms or award contracts on a sole-source basis to 8(a) firms as long as the contract does not exceed certain limits (up to $6.5 million for contracts involving manufacturing and up to $4 million for other contracts). *See* SBA 8(A) Program

Description (available at http://www.sba.gov/content/about-8a-business-development-program). Alaska Native Corporations may also participate in the Section 8(a) program and are exempt by statute and/or regulation from the cap on sole source contract awards, the competitive threshold limits on sole source contracts and the number of firms ANCs may own. *See* 13 CFR 124.519.

Finally, some small businesses that bid on federal contracts are owned by Blacks, Hispanics, Asians, and Native Americans do not register as SDBs and are not part of the 8(a) program.

Overview of Results

Below I estimate the "odds ratio" for non-8(a) SDBs and I find that, holding constant factors such as the size and age of the firm, its legal form of organization, and its level of government security clearance, the odds of winning a contract for SDBs not participating in the 8(a) business development program are estimated to be roughly 11 percent lower relative to the odds of winning contracts by firms that were not identified as SDBs. This difference is statistically significant at the 95 percent significance level. Minority owned firms (which include minority-owned small businesses, SDBs that are minority-owned and minority-owned 8(a) participants) had roughly 30 percent lower odds of winning a contract than other small firms.

Unsurprisingly, firms that participate in the 8(a) program, a program in which firms generally do not have to engage in a full and open competition for contracts, but rather are awarded contracts through sheltered bidding or on a sole-source basis, had odds of winning contracts that were many times higher relative to the odds of winning contracts by other small businesses. Similarly, other types of firms that the federal government allows to participate in sheltered competition programs in prime contracting, such as those owned by service-disabled veterans or those located in Historically Underutilized Business Zones (HUBZones), also appear have increased to odds of winning contracts relative to the odds of firms without such characteristics.

I also looked at whether the effects of these programs or the effects of different types of ownership vary depending on the industry in which a contract is won. The results for each industry individually are very similar to those estimated using all of the data in the sample. On an industry-by-industry basis, I find that in virtually every industry, the odds of non-8(a) SDBs winning contracts, all else equal (size, age, legal organization, level of government clearance), were lower than the odds of other non-SDB small firms winning contracts, though in only about half of the industries are these odds lower in a statistically significant sense (that is, the relationship is estimated precisely enough that I can say with a degree of confidence that the odds ratio is different from one, the ratio that implies the odds of SDB firms winning contracts was the same as the odds of other small firms winning). However, the industries where the relationship is statistically significant represent the vast majority of contracts awarded in 2012. As Table 4 on page 15 demonstrates, SDBs are statistically significantly less likely to win a contract in industries accounting for 82.5% of contract actions, 67.1% of dollars awarded, and where 72.7% of SDBs are registered. There is no industry where SDBs have a statistically significant advantage in terms of winning a contract from the federal government. As Table 4(a) on page 14 demonstrates, minority owned firms (which include minority owned small

businesses, SDBs that are minority-owned and minority owned 8(a) participants) are statistically significantly less likely to win a contract in industries accounting for 68.6% of contract actions, 81.1 % of dollars awarded, and where 84.3% of minority owned businesses are registered. There is no industry where minority owned businesses have a statistically significant advantage in terms of winning a contract from the federal government.

Data

This report focuses on contracting outcomes for minority-owned firms with particular emphasis on SDBs, a sub-group of minority-owned firms. Firms self-certify their SDB status when they register to bid on contracts (as described below).

Table 1 summarizes the owner characteristics of SDB firms using 2012 data. The data used in this report contain information on 43,606 SDBs, of which roughly two thirds are self-identified as minority-owned. Another 15 percent are non-minority women-owned, and 5.5 percent are located in HUB-Zones or are veteran-owned. The remaining 15 percent of SDBs do not self-identify as minority-owned, nor do they self-identify as belonging to any other specially identified group.

My goal is to look at contracting outcomes among SDBs compared to other small firms, distinguishing between the SDBs that do and do not participate in the 8(a) program. In order to do this, I construct a database of firms that might reasonably have been expected to compete for Federal contracts, along with information on which of these firms actually won contract awards. In this database, I also have information on firm characteristics (such as size and age) as well as information identifying which firms are SDBs, which are 8(a) participants, and whether their owner belongs to another specially identified group for which the federal government has contracting goals.

Data on Entities Registered to Compete for Federal Prime Contracts

All firms that wish to compete for Federal contracts must register as potential contractors. This involves filling out a form on-line using the System for Award Management (SAM) which is operated by the General Services Administration (GSA) of the U.S. federal government.[1] Because there is no fee it is a low-cost way for a firm to self-identify as potentially interested in competing for Federal contracts. Registration in SAM must be re-certified each year.[2]

[1] www.sam.gov

[2] Obviously, given this data set, this report does not attempt to measure whether there are other businesses that potentially could contract with the federal government and the odds ratios that one would see if such businesses were included in the analysis.

Table 1

Owner Characteristics Among All Small Disadvantaged Businesses

	Number of SDBs	Percent of SDBs
Grand Total	43,606	100.0%
Total Minority*	28,234	64.7%
Black	12,104	27.8%
Hispanic	6,956	16.0%
Asian Pacific	3,473	8.0%
American Indian or Alaska Native	2,532	5.8%
Asian Subcontinent	2,200	5.0%
Not classified	969	2.2%
Non-Minority Female-Owned	6,393	14.7%
Non-Minority Male-Owned	8,979	20.6%
Non-Minority Male-Owned in Other Special Categories**	2,383	5.5%
Non-Minority Male-Owned not in Other Special Categories	6,596	15.1%

*Minority categories may overlap.

**Firms in Other Special Categories are those located in HUBZones, are Service Disabled Veteran-Owned, or Other Veteran-Owned

Firms that register in SAM must indicate the industries in which they are able to provide goods and services, using the six-digit North American Industry Classification (NAICS) codes. (NAICS is a hierarchical classification system in that as more digits are added to the code, the industry classifications become more narrowly defined – and more sparsely populated. Below I use codes at the three-digit level as a compromise balancing the need to have sufficient data in each industry grouping and the recognition that many firms can switch production within the broader three-digit category.) These data also include self-reported information from the firm on numbers of employees; average sales over the past three years; the year the firm was founded; selected socioeconomic characteristics of owners (e.g., whether the firm was owned by a woman and whether the firm is owned by a member of a minority group); and firm location. (In this report I use the term "three-digit NAICS code" or just "NAICS code" interchangeably with the term "industry.") Firms can identify themselves as operating in multiple industries, so when the data are analyzed on an industry basis, entities can appear in the data set multiple times.

Data on Contractors and Contract Awards

Contract awards (as well as modifications and orders) from prime contracts awarded by federal Executive Branch agencies must be reported in the Federal Procurement Data System (FPDS),

which is administered by the General Services Administration and publicly available for download from www.usaspending.gov.[3] These data provide two broad types of information. First, the data include contract action characteristics, such as the agency awarding the contract; the six-digit industry NAICS code of the product or service procured by the agency under the contract action; the dollars obligated (or de-obligated) under the contract action; and the place of performance. Second, the data include contractor characteristics (such as company name and identification number). Each record in the FPDS represents a single contract action. For purposes of this report, I define a firm as "winning" contracts in an industry in FY 2012 if it had at least one contract with net obligations greater than zero dollars in that industry.

SBA Data Defining Program Eligibility and Size Parameters

SBA provided data on firms that were in its 8(a) and/or HUBZone programs (in FY 2012, no other specially identified group was certified by SBA[4]) and I matched these to the FPDS and SAM matched data set using DUNS numbers in the SBA data. DUNS number is a company identifier maintained by Dun & Bradstreet that registrants use in order to register in SAM. (All other specially identified groups were self-identified in the SAM data.) I also obtained from SBA its specific definitions for 'small business', which vary across six-digit NAICS codes.[5] The analysis in this report looks only at small businesses as defined by SBA within each individual industry. When I define a firm as a small business, it is based on these industry-specific definitions. Because size distinctions vary across industries, a firm might be considered a small business in one industry but not in another.

I chose to analyze the data at the parent company level, even though sub-units within the larger parent company may be doing the actual bidding.[6] These data were analyzed at the parent company level because the purpose of this report is to identify and measure potential differences in contracting outcomes based on race/ethnicity of the owner and because no information is available about the characteristics of the managers of sub-units that compete for contracts.

Data on Firms Registered for Contracts and Firms that Won Contracts

I obtained archived SAM data from GSA in two data sets current as of July 2012. One is for official use only (FOUO) and contains registrants' DUNS number.[7] Commercial and Government Entity (CAGE) codes (used to uniquely identify entities registered in the SAM data) and DUNS numbers were extracted from the FOUO data, which contains data on entities actively registered in SAM as of July 25, 2012 (plus six months worth of expired registration data which were discarded). The FOUO data set also contains information about the form of organization of registrants and what level of security clearance they report.

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[3] I obtained these FPDS data from Bloomberg Government as described below.

[4] Women-owned businesses that meet certain size criteria can be part of the 8(m) program which is similar to the 8(a) program. However, whether a woman-owned business was part of this program was not included in the SBA data file.

[5] See http://www.sba.gov/content/summary-size-standards-industry for a summary of the size standards.

[6] Note that the terms "company," "firm", and "parent" are used interchangeably throughout this report and that these entities can include non-profit organizations as well as private-sector, for-profit entities.

[7] Note that a registrant may have more than one DUNS number corresponding to headquarters or various levels of company parentage.

The other SAM data set obtained from GSA is called the FOIA (for Freedom of Information Act) file (current versions of the FOIA file are available for public download from www.sam.gov). The FOIA file used here contains all entities actively registered in SAM as of July 15, 2012. From this file certain data elements were extracted, including NAICS codes, business start date, and average number of employees, annual receipts, and business types. Business types are data on ownership or status of the businesses reported for each registrant, including SDB status; the race and ethnicity of the registrant (or with which the registrant is affiliated); minority-ownership; woman ownership; service-disabled veteran ownership; and other veteran ownership.[8] Certain NAICS industry groups were dropped because of incomplete data, irrelevance, or because data issues in a given NAICS group prevented the regression model from producing reliable estimates (see table 2 below), leaving 80 NAICS industry groups included in the analysis.[9] Registrants with missing or zero annual receipts or employment or with unrealistically large values of size or age were dropped.

I also obtained from GSA a list as of September 30, 2012 of firms that were excluded from doing business with the federal government (current lists of such firms are also available for public download from www.sam.gov). I matched these firms by DUNS number to the other SAM data sets and dropped from the analysis the small number of firms (190) that were on the exclusions list.

[8] Business types also identify if the registrant is only interested in grants and not contracts; located outside of the US; a government entity; and/or an international organization. All of the firms of these types were dropped from all datasets used in my analysis.

[9] Such problems include cases in which the SDB variable was automatically dropped from the analysis because it was collinear with another variable or when certain values of the SDB variable perfectly predict contracting outcomes, thereby preventing the model from estimating a meaningful relationship between the variables. In the industry-level regressions in this report, odds ratios could not be estimated for some of the variables because certain values of the variables perfectly predicted contracting outcomes (with the corresponding observations dropped from the analysis). For technical details see *Stata Base Reference Manual Volume 2: Release 12.* Stata Press, 2011, at pp. 973-975.

Table 2

Three-digit NAICS Codes Dropped from Analysis:[10]

Code	Description	Reason Dropped
221	Utilities	SBA small business definition for electric power generation is based on capacity in megawatt hours which were not available in the SAM data files.
482	Rail Transportation	No non-8(a) SDB won a contract, therefore non-(8) SDB variable dropped from analysis.
486	Pipeline Transportation	No non-8(a) SDB won a contract, therefore non-(8) SDB variable dropped from analysis.
487	Scenic and Sightseeing Transportation	No non-8(a) SDB won a contract, therefore non-(8) SDB variable dropped from analysis.
491	Postal Service	This industry only consists of one entity – the US Postal Service
521	Monetary Authorities – Central Bank	This industry only consists of one entity – the Federal Reserve System.
522	Credit Intermediation	SBA small business definitions for some industries are based on assets, which were not available in the SAM data files.
525	Funds, Trusts and Other Financial Vehicles	No non-8(a) SDB won a contract, therefore non-(8) SDB variable dropped from analysis.
533	Lessors of Nonfinancial Intangible Assets (except Copyrighted Works)	No non-8(a) SDB won a contract, therefore non-(8) SDB variable dropped from analysis.
551	Management of Companies and Enterprises	No contracts were awarded in this industry.
814	Private Households	No SBA small business definition.
921-928	Public Administration	No SBA small business definition.

The data extracted from the FOUO and FOIA data sets were matched and merged to each other by CAGE code. These data were then matched by DUNS number to the 8(a) and HUBZone data sets to identify which of the SAM firms were participants in the 8(a) program or were certified to be HUBZone firms.

I obtained from Bloomberg Government a data extract drawn from the Federal Procurement Data System (FPDS) for contracts covered by Federal prime contracting goals for various specially

[10] Five distinct categories of contracting had zero total contracts awarded to non 8(a) SDBs: 482 Rail Transportation, 486 Pipeline Transportatio,487 Scenic and Sightseeing Transportation, 525 Funds, Trusts and Other Financial Vehicles, and 533 Lessors of Nonfinancial Intangible Assets (except Copyrighted Works). Because of the formula used in the analysis in this report, these NAICs codes could not be included as no non-8(a) SDBs won a contract in any of these codes in 2012, despite the fact that there were non-8(a) SDBs registered to do business in each of these codes. The fact that these codes could not be included in the analysis does not mean that SDBs are successful in these industries; in fact, given the complete lack of any non-8(a) SDB winning a contract, the converse could be concluded.

identified groups (small businesses; small disadvantaged businesses; woman-owned small businesses; etc.).[11] Bloomberg aggregated net contract obligations in the data up to the contract identification number/set-aside program (if any)/three-digit NAICS level and included DUNS numbers. The Bloomberg file also included the start date of each contract so that I could identify contracts that started in FY 2012 (contracts starting before FY 2012 were dropped from the analysis). Matching the FPDS data to the data on firms in SAM (using DUNS numbers) allowed me to determine which of the firms registered for government contracts actually won one or more contracts with net positive contract obligations in 2012. About 7 percent of the records in the FPDS data did not match to the SAM data and were dropped from the analysis. This should not affect this report's conclusions.

As mentioned above, contractor records were combined by the ultimate (i.e., highest level of parentage) DUNS number, as well as at the three-digit NAICS code level, thus retaining a count of the contracts awarded to each parent within each three-digit NAICS code. The specially identified group indicators, age, and size variables often vary across registrants that belong to a given parent entity with the same ultimate DUNS number, raising issues about how to treat these measures when observations are aggregated to the parent company level. Thus, I defined specially identified group status among parent firms in two different ways:

1. Least inclusive: assign a parent to a specially identified group only if *all* its sub-entity records indicate group membership.
2. Most inclusive: assign a parent to a specially identified group if *at least one* of its sub-entity records indicates group membership.

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[11] "Q12. When calculating the percentages in the Goaling reports, the Small Business Administration determined that the counts of actions and sums of obligated dollars for certain actions shall be excluded.

The following categories of contracts are not included in the "base" amount:

- Javits-Wagner O'Day Program (JWOD, Sheltered Workshops)
- UNICOR or Federal Prison Industries
- American Institute in Taiwan
- Contracts awarded and performed outside the United States
- Acquisitions by Agencies on behalf of foreign governments or entities or international organizations
- Contracts funded predominately with agency generated sources.

Accordingly, the following Government Agencies are excluded:

- FDIC
- Postal Service
- Bureau of Engraving and Printing
- United States Mint
- Office of the Comptroller of the Currency
- Office of Thrift Supervision
- Transportation Security Administration
- Federal Aviation Administration
- Tennessee Valley Authority
- Defense Commissary Agency contracts are excluded because they are buying for resale in a military commissary.
- Quasi-government agencies operating with non-tax dollars (known as non-appropriated funds) that were not competed because the products they purchase are being bought to be resold. The money the agency gets from the sale fund the operation of the organization."

("Frequently Asked Questions About FPDS-NG" http://www.acquisition.gov/faqs_whataboutfpds.asp#q12)

I also assigned age, sales receipts, and employment values to each parent company in two ways:

1. Minimum: the minimum of each of age, sales receipts, and employment values across all sub-entities within the parent firm (regardless of the NAICS codes in which they registered).
2. Maximum: the maximum of each of age, sales receipts, and employment values across all sub-entities within the parent firm (regardless of the NAICS codes in which they registered).

Finally, I assigned small business status to parent companies in two ways[12]:

1. Least inclusive: For each six-digit NAICS code in which a parent or sub-entity registered, determine its size status based on its NAICS code and either its maximum sales receipts or employment values, using the appropriate regular NAICS-code specific SBA size standards. Then assign small status to a parent only if all its sub-entity records indicate group membership.
2. Most inclusive: For each six-digit NAICS code in which a parent or sub-entity registered, determine its size status based on its NAICS code and either its minimum sales receipts or employment values, using the appropriate NAICS-code specific SBA size standards (or size standard exceptions for the small number of NAICS codes with such exceptions). Then assign small status to a parent if at least one of its sub-entity records indicates group membership.

The results discussed below are based on the "least inclusive" (first) methods described here, but using the other (second) methods would not change the results in any meaningful way. Including large firms (i.e. firms that were too large to meet the SBA definition of a small business) also did not change the results in any meaningful way.

Model Specification and Results

The ultimate question of interest here is whether the data show any difference in the odds of contracts being won by minority-owned small businesses, particularly those identified as SDBs and those that are part of the 8(a) program, relative to other small businesses. Regression analysis is a tool used by economists to address this type of question. This type of analysis starts with a hypothesis about the relationships between various variables and estimates whether these variables interact with each other in a way that is consistent with the hypothesis. There are many types of regression analyses, but the logit model is widely used to analyze the odds of an event occurring, such as a firm being awarded a contract, and it is this type of model that is used in the analysis described here.

This model assumes that there is a relationship between a variable to be explained (the

[12] A relatively small number of firms won contracts in three-digit NAICS codes in which they had not registered in SAM. Since I did not have the six-digit NAICS codes for these firms I modified the size determination method by using the minimum size standard across all six-digit NAICS codes within each three-digit NAICS code for the least inclusive method and the maximum for the most inclusive method.

"dependent" variable) and one or more explanatory ("independent") variables. The standard way to represent this model is:

$$\mathbf{Y = exp(\beta * X + \varepsilon)}$$

In this example, the dependent variable is represented by Y, X is one or more independent variables that explain the dependent variable, and exp(.) is the exponentiation function. The β is an unknown parameter or set of parameters that is to be estimated and gives the degree to which an independent variable is related to a dependent variable. The final term in the equation, represented by ε, is known as the error term and represents the other elements that might influence the dependent variable but which are not explicitly included in the estimation. The error term "arises for several reasons, primarily because we cannot hope to capture every influence on an economic variable in a model, no matter how elaborate."[13]

A key feature of a regression is that it allows the researcher to isolate the effects of one independent variable on the dependent variable separately from the other independent variables. In other words, the first β that is estimated in an equation represents the relationship between Y and the first X variable *holding constant* all the other independent variables. As an example, regression analysis could be used to examine how characteristics of a home affect the sales price of a home. To do this, one might hypothesize that the value of a home depends on factors such as the number of bedrooms in a house, the number of bathrooms and the size of the lot on which the house is found. Then, the β that is associated with the number of bedrooms is a measure of how increasing the number of bedrooms affects the sales price holding constant the number of bathrooms and the size of the lot.

Another key to successfully estimating regressions and to draw the proper inferences from the results is to make sure that the appropriate variables are included in the model. For example, it may often be the case that a house with more bedrooms is also likely to have more bathrooms. If a regression of housing prices only includes the number of bedrooms it may overstate the influence of the number of bedrooms on prices as the estimate of the β associated with the number of bedrooms also will include the influence of the number of bathrooms on prices.

In the present context, the dependent variable represents whether or not the firm wins a contract, while the independent variables are all the measures that influence the odds of whether or not a given firm wins a contract. When estimating this model, as with the housing example discussed above, it is important to include other variables that might also influence whether a minority-owned small business wins a contract or not. For example, it might be the case that newer firms are less likely to win contracts, on average, than older firms. Thus, it would be important to include a measure of the age of the firm in the model to control for this fact. This is particularly important if it also happens to be the case that minority firms are more likely to be newer than other firms; in this situation, if the age of the firm is not included in the model, one might conclude that minority firms are winning fewer contracts, on average, when, in fact, it is younger firms that are winning fewer contracts.

Here, the independent variables I use are the ownership of the firm (minority-owned, women-owned, and veteran-owned); the type of organization (that is, whether the firm is a corporation, a partnership or some other type); other characteristics of the firm (size, in terms of number of employees and revenues, level of security clearance of the firm and age of the firm); and whether

[13] Greene, William H., *Econometric Analysis*, Sixth Edition, Pearson Education, 2008 at p. 9.

the firm identifies itself as an SDB and, if so, whether the firm is part of the SBA's 8(a) program.

Table 3 lists estimates of the "odds ratios" of the independent variables listed above, holding the other variables constant. Not surprisingly, there is a positive and significant increase in the odds of a small firm winning a contract as the age of the firm and the size of the firm, measured either by sales or number of employees, increases.[14] Firms with various levels of security clearance also had higher odds of winning contracts than firms that did not report having a security clearance level, with the largest effect resulting for those firms with "secret" clearance; the odds of a firm with a secret clearance winning a contract were 55 percent higher than those without a secret clearance. Ownership structure can also influence the odds of a small firm winning a contract, with the odds of corporations and partnerships winning contracts being lower and the odds of sole proprietorships winning being higher than other forms of organization.

The main variables of interest, however, are the ones at the top of the table, which relate to the type of ownership of the small business and whether the firm participates in one of the SBA programs that are designed to help small businesses win contracts. Controlling for other factors, the odds of minority-owned small firms and non-8(a) SDB firms[15] winning contracts were lower than small non-minority and non-SDB firms; specifically, the odds of an SDB firm winning a contract is roughly 11 percent lower than other types of small businesses, while small minority-owned firms, regardless of whether they are SDBs or in the 8(a) program, had roughly 30 percent lower odds of winning a contract than other firms.[16]

These relationships, as in all regression models, are estimated with some degree of error. Thus, it is common practice to estimate whether, given this degree of error, it is possible to distinguish the estimate from some fixed value (usually zero) with a high degree of certainty or whether it is just chance that makes the estimate different from this fixed value. That is, I am interested in whether these estimated relationships are "statistically significant." With odds ratios, the estimate is statistically significant if it can be distinguished, with a high degree of certainty, from one, the point where the odds of the two groups compared are the same. If the estimate cannot be distinguished from one with enough certainty, then I cannot say that the odds of winning of contract for one group are different the odds of another group winning a contract.

Whether an estimate of a statistical relationship between two variables is significant is a function of two things – how close the estimate is to the value that would indicate no relationship and the precision of the estimate. One of the key factors in the degree of precision of estimates of relationships between two variables is the number of observations used to

[14] Note that SDBs have a lower mean age (11.8 years) compared to non-SDBs (19.2 years). Generally SDBs are smaller than non-SDBs on average: mean sales are $2.9 million compared to $8.1 million; median sales are $0.8 and $0.5 respectively. However, the mean number of employees for SDBs is slightly bigger (446) than the mean for non-SDBs (424), but the median number of employees for SDBs (5) is lower than that for non-SDBs (6).

[15] There are 70,615 minority owned firms of which 28,234 (40%) are SDBs and there are 43,606 SDBs of which 28,234 are minority owned (65%).

[16] The odds ratio for firms that both identified themselves as SDBs (but that were not part of the 8(a) program) and that were small minority-owned firms is the product of the SDB non-8(a) odds ratio and the minority-owned odds ratio, or (0.886)*(0.694) = 0.615.

estimate a model; generally, the more observations, the more precise is the estimate.[17] The measures of precision are represented by the "standard errors" of the estimates, which in Table 3 are the numbers in parentheses below the estimates of the odds ratios.

Typically, when assessing statistical significance, it is common to look at roughly two standard errors above and two standard errors below the relevant estimate to determine the range within which one is confident the true estimate lies. For the estimate of the SDB odds ratio, the standard error is estimated to be 0.015 so I am confident that the true value lies somewhere between 0.866 and 0.916 (0.886 plus or minus two times 0.015). Therefore, I can say that the estimate of the odds of an SDB wining a contract is significantly less than one (i.e. the fact that the odds of an SDB firm winning a contract is estimated to be lower than odds for other firms is not due to chance.) Given the relatively large number of observations, the standard errors in Table 3 are all small relative to the size of the estimated odds ratios and, thus, most of the estimated odds ratios are statistically significant; the ones that are not are those that are estimated to be close to one (e.g. the odds ratio estimated for firms that are corporate not tax-exempt is 0.996 which is not statistically significantly different from one.) The other estimates in Table 3 show that firms in the 8(a) program, firms that were certified as being HUBZone businesses or firms owned by service-disabled veterans had larger odds of winning a contract, likely due to their participation in the Section 8(a) set-aside program or similar contracting programs. These results hold even when certain variations of the model are estimated. For example, the same basic relationship between SDBs and the winning of contracts is found when the SDB sample excludes 8(a) firms and 8(a) set aside contracts or includes variables that control for the geographic location of the small business.

Table 4 provides a summary of the results when the same model is estimated separately for each three-digit NAICS code and Table 5 provides a more detailed list of the industry-by-industry estimates (Table 6 defines the NAICS codes used in Table 5). As can be seen from Table 4, in virtually every industry, the odds of non-8(a) SDBs winning contracts are lower, all else equal, than other firms. In only about half of the industries are the odds ratios for non-8(a) SDBs winning contracts statistically significantly lower; however, the industries where the relationship is statistically significant represent the majority of contracts won in 2012.[18] Table 4(a) shows the same information for minority owned firms.

As mentioned above, how close the estimate is to one and the sizes of the standard errors (which, in turn, depend largely on the number of observations used in a regression,) are the key factors in determining the statistical significance of the odds ratios. In Table 6, there are 21 three digit NAICS code industries with at least 9,000 observations and in 18 of these the estimate of the odds ratio on SDBs is statistically significant, ranging from 0.48 to 0.84. On the other hand, the three industries with more than 9,000 observations that are not statistically significant, NAICS codes 236, 237 and 621, all have estimated coefficients that are relatively close to one (0.921, 0.927 and 0.86, respectively). At the same time, there are 21 three digit NAICS code industries

[17] To illustrate this point, if you flipped a coin 10 times and got 7 heads, you might think the coin is biased, but the number of observations prevents you from drawing that conclusion with certainty. If you flip the same coin 10,000 times and get heads 7,000 times, you can conclude that it is highly likely that the coin is biased.

[18] The two three digit NAICS code category where the coefficient on the SDB variable was positive, though not significant, were 454 (Nonstore Retailers) and 483 (Water Transportation). There are 5,355 firms registered to serve these NAICS codes but there were only 719 contracts entered into in 2012 in these industries.

in the analysis that have fewer than 2,000 observations and in only seven of these 21 is the odds ratio on the SDB variable statistically significant (and in all seven of these the estimated odds ratio is less than 0.5).

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August 8, 2012

Table 3
Pooled Regression Results

	Odds Ratios
SDB not 8(a)	0.886***
	(0.0151)
8(a)	5.141***
	(0.148)
woman-owned	0.927***
	(0.0105)
minority-owned	0.694***
	(0.00972)
hubzone	1.573***
	(0.0424)
service-disabled veteran	1.325***
	(0.0292)
other veteran	1.026
	(0.0167)
log age	1.203***
	(0.00614)
log employment	1.164***
	(0.00390)
log receipts	1.026***
	(0.00168)
sole proprietor	1.118***
(omitted: "other " orgs)	(0.0178)
partnership	0.696***
	(0.0127)
corporate not tax-exempt	0.990
	(0.0110)
corporate tax-exempt	0.263***
	(0.00687)
Government non-classified	1.221***
(omitted: no security reported)	(0.0261)
Government confidential	1.419***
	(0.0688)
Government secret	1.555***
	(0.0447)
Government top secret	1.071**
	(0.0320)
Constant	0.0809***
	(0.00193)
No. Observations	373,057
pseudo R2	0.0507

Robust standard errors in parentheses

Table 4

Summary Results from Industry Regressions: Difference in Odds of Non-8(a) SDBs Winning Contracts

	Contracts		Awards		Non-8(a) SDBs*		Industries	
Lower odds statistically significant	286,300	85.2%	$18,638,714,880	67.1%	106,467	72.7%	37	46.3%
Lower odds not statistically significant	48,870	14.6%	$9,010,878,464	32.5%	39,170	26.7%	41	51.3%
Higher odds statistically significant	-	0.0%	$ -	0.0%	-	0.0%	0	0.0%
Higher odds not statistically significant	717	0.2%	$115,715,432	0.4%	873	0.6%	2	2.5%
Totals	335,887	100.0%	$27,765,308,776	100.0%	146,510	100.0%	80	100.0%

*SDBs are counted once for each industry in which they are registered or won contracts. Percents may not sum to 100% due to rounding.

Table 4a

Summary Results from Industry Regressions: Difference in Odds of Minority-Owned Businesses Winning Contracts

	Contracts		Awards		Minority-Owned Businesses*		Industries	
Lower odds statistically significant	230,491	68.6%	$22,528,989,184	81.1%	161,055	84.3%	43	53.8%
Lower odds not statistically significant	103,790	30.9%	$5,193,522,688	18.7%	27,862	14.6%	33	41.3%
Higher odds statistically significant	-	0.0%	$-	0.0%	-	0.0%	0	0.0%
Higher odds not statistically significant	1,606	0.5%	$42,798,332	0.2%	2,051	1.1%	4	5.0%
Totals	335,887	100.0%	$27,765,310,204	100.0%	190,968	100.0%	80	100.0%

Table 5: Industry-Specific Regression Results

	111	112	113	114	115	211	212	213	236	237	238
SDB not 8(a)	0.464	0.177	0.295**	0.524	0.635***	0.981	0.668*	0.414**	0.921	0.927	0.807***
	(0.255)	(0.192)	(0.170)	(0.407)	(0.0769)	(1.204)	(0.154)	(0.167)	(0.0651)	(0.0765)	(0.0383)
8(a)			0.503		1.544**		1.427	0.859	9.050***	8.096***	8.018***
			(0.531)		(0.316)		(0.524)	(0.560)	(0.691)	(0.759)	(0.474)
woman-owned	0.789	1.306	0.590	1.754	0.945	0.500	0.867	0.862	0.910	0.764***	0.838***
	(0.248)	(0.458)	(0.239)	(0.867)	(0.0846)	(0.314)	(0.160)	(0.257)	(0.0546)	(0.0534)	(0.0313)
minority-owned	0.572	0.968	0.906	1.996	0.913	0.299*	0.572***	1.421	0.791***	0.542***	0.658***
	(0.243)	(0.497)	(0.366)	(1.096)	(0.102)	(0.213)	(0.122)	(0.462)	(0.0513)	(0.0432)	(0.0298)
hubzone	0.552		0.215**		1.519***		0.693*	0.380	1.878***	2.744***	1.406***
	(0.564)		(0.157)		(0.165)		(0.138)	(0.235)	(0.134)	(0.181)	(0.0766)
service-disabled veteran	0.560		0.416	0.857	0.673**	1.666	0.648	1.661	2.664***	1.457***	1.603***
	(0.423)		(0.433)	(0.902)	(0.131)	(1.412)	(0.223)	(0.701)	(0.176)	(0.129)	(0.0839)
other veteran		1.420	0.725	0.746	0.829		0.637	0.596	0.811*	0.856	0.943
		(0.598)	(0.377)	(0.567)	(0.110)		(0.191)	(0.303)	(0.0874)	(0.0954)	(0.0526)
log age	1.167	1.642***	0.923	1.122	1.154***	1.069	1.175**	2.204***	1.004	1.214***	1.161***
	(0.112)	(0.238)	(0.116)	(0.236)	(0.0484)	(0.382)	(0.0928)	(0.367)	(0.0292)	(0.0427)	(0.0209)
log employment	1.144*	1.055	1.264***	0.712	1.038	1.133	1.027	1.444***	1.096***	0.991	1.088***
	(0.0790)	(0.0874)	(0.104)	(0.189)	(0.0332)	(0.238)	(0.0641)	(0.132)	(0.0213)	(0.0262)	(0.0136)
log receipts	0.988	1.048	0.983	1.169	1.009	0.962	1.004	1.006	1.075***	1.058***	1.034***
	(0.0313)	(0.0546)	(0.0351)	(0.136)	(0.0114)	(0.0655)	(0.0255)	(0.0511)	(0.0137)	(0.0154)	(0.00673)
sole proprietor	1.269	0.776	0.795	1.570	1.124		1.144	0.865	0.833*	1.238**	0.891**
(omitted: "other" orgs)	(0.419)	(0.288)	(0.262)	(0.973)	(0.112)		(0.278)	(0.515)	(0.0849)	(0.131)	(0.0521)
partnership	0.584	0.440*	0.384*	1.022	0.847	0.691	0.800	0.788	0.894	0.891	0.833***
	(0.247)	(0.208)	(0.213)	(0.807)	(0.118)	(0.849)	(0.208)	(0.457)	(0.0797)	(0.100)	(0.0523)
corporate not tax-exempt	1.288	0.860	0.770	1.144	0.946	0.822	0.851	1.274	0.888**	0.895*	0.892***
	(0.423)	(0.324)	(0.225)	(0.620)	(0.0900)	(0.659)	(0.125)	(0.349)	(0.0478)	(0.0545)	(0.0313)
corporate tax-exempt	0.158*	0.326		1.407	0.187***			2.315	0.0973***	0.446**	0.651**
	(0.165)	(0.258)		(1.182)	(0.0619)			(1.671)	(0.0440)	(0.177)	(0.119)
Government non-classified	0.631		0.718	1.063	0.591**		0.865	1.782	1.254**	0.996	1.331***
(omitted: no security reported)	(0.693)		(0.743)	(1.236)	(0.158)		(0.329)	(0.800)	(0.111)	(0.115)	(0.0822)
Government confidential					0.801			1.665	1.506**	1.105	1.357**
					(0.507)			(2.175)	(0.294)	(0.296)	(0.198)
Government secret		2.913			0.543	9.797	2.318	5.216***	0.887	0.679*	1.171
		(3.321)			(0.294)	(16.17)	(1.351)	(3.290)	(0.133)	(0.144)	(0.130)
Government top secret						20.97	0.748		1.012	0.629*	0.821
						(40.18)	(0.765)		(0.165)	(0.164)	(0.109)
Constant	0.0535***	0.0121***	0.0622***	0.00921***	0.119***	0.0969**	0.108***	0.00245***	0.0183***	0.0184***	0.0399***
	(0.0260)	(0.00944)	(0.0305)	(0.0133)	(0.0195)	(0.0996)	(0.0397)	(0.00207)	(0.00312)	(0.00351)	(0.00369)
No. Observations	1,516	1,266	2,280	522	6,816	179	2,586	1,752	30,198	24,954	59,316
pseudo R2	0.0400	0.0572	0.0451	0.0406	0.0221	0.0822	0.0269	0.135	0.129	0.0874	0.0615

Robust standard errors in parentheses

Table 5: Industry-Specific Regression Results

	311	312	313	314	315	316	321	322	323	324	325
SDB not 8(a)	0.824	0.722	0.792	0.731*	0.831	0.642	0.860	0.679**	0.583***	0.547**	0.954
	(0.198)	(0.276)	(0.225)	(0.119)	(0.146)	(0.199)	(0.161)	(0.126)	(0.117)	(0.136)	(0.106)
8(a)	1.273		0.742	1.772**	1.067	4.203***	0.783	0.883	1.419	0.466*	2.073***
	(0.868)		(0.626)	(0.511)	(0.356)	(2.174)	(0.333)	(0.334)	(0.537)	(0.215)	(0.480)
woman-owned	0.857	0.525*	1.093	0.888	0.850	0.898	1.008	1.056	0.721***	0.818	1.028
	(0.141)	(0.200)	(0.202)	(0.0947)	(0.108)	(0.196)	(0.130)	(0.140)	(0.0877)	(0.158)	(0.0826)
minority-owned	0.394***	1.352	0.779	0.828	0.757*	0.787	0.574***	0.868	0.759*	0.761	0.632***
	(0.0772)	(0.450)	(0.184)	(0.121)	(0.119)	(0.216)	(0.112)	(0.147)	(0.124)	(0.159)	(0.0654)
hubzone	1.052	1.811	0.808	1.785***	0.990	1.082	1.217	1.044	1.149	0.765	0.975
	(0.380)	(1.291)	(0.314)	(0.338)	(0.231)	(0.431)	(0.267)	(0.268)	(0.397)	(0.235)	(0.175)
service-disabled veteran	0.898	0.584	0.855	1.080	1.022	1.456	0.824	1.291	1.014	0.732	1.181
	(0.300)	(0.378)	(0.347)	(0.208)	(0.234)	(0.536)	(0.202)	(0.307)	(0.260)	(0.240)	(0.165)
other veteran	1.172	0.982	0.832	1.087	1.086	1.308	0.700*	0.847	0.934	0.648	1.015
	(0.297)	(0.453)	(0.246)	(0.162)	(0.190)	(0.353)	(0.144)	(0.168)	(0.179)	(0.172)	(0.107)
log age	1.139**	1.405**	1.475***	1.151***	1.241***	1.173	1.410***	1.253***	1.124*	1.445***	1.440***
	(0.0738)	(0.195)	(0.135)	(0.0582)	(0.0798)	(0.123)	(0.0982)	(0.0823)	(0.0690)	(0.112)	(0.0528)
log employment	0.981	1.066	1.239***	1.288***	1.270***	1.160*	0.991	1.155***	1.226***	1.054	1.178***
	(0.0670)	(0.106)	(0.0792)	(0.0524)	(0.0591)	(0.0952)	(0.0514)	(0.0583)	(0.0609)	(0.0634)	(0.0320)
log receipts	1.169***	1.047	1.006	1.034*	1.078***	1.104*	1.042	1.019	1.011	1.053*	1.040***
	(0.0571)	(0.0434)	(0.0291)	(0.0208)	(0.0295)	(0.0617)	(0.0301)	(0.0251)	(0.0258)	(0.0324)	(0.0131)
sole proprietor	0.919	1.251	0.250***	0.966	0.885	0.451	1.024	0.711	0.723	0.394**	0.922
(omitted: "other " orgs)	(0.276)	(0.578)	(0.130)	(0.185)	(0.198)	(0.225)	(0.237)	(0.215)	(0.170)	(0.182)	(0.152)
partnership	0.643*	0.773	0.330**	0.678*	0.690	1.045	0.953	0.647	0.834	0.427***	0.774*
	(0.171)	(0.366)	(0.146)	(0.145)	(0.158)	(0.386)	(0.214)	(0.178)	(0.189)	(0.121)	(0.107)
corporate not tax-exempt	0.734**	0.588*	0.712**	0.896	0.895	1.145	0.985	1.029	0.874	0.751*	0.885
	(0.102)	(0.178)	(0.121)	(0.0936)	(0.113)	(0.244)	(0.127)	(0.138)	(0.109)	(0.113)	(0.0665)
corporate tax-exempt	0.294**	0.314		0.104***		0.659	0.153***	0.164***	1.452	0.593	0.343***
	(0.150)	(0.328)		(0.0779)		(0.524)	(0.111)	(0.102)	(0.396)	(0.340)	(0.124)
Government non-classified	1.476	0.867	1.454	1.089	1.138	1.487	1.122	0.910	1.145	0.957	1.440***
(omitted: no security reported)	(0.506)	(0.533)	(0.503)	(0.227)	(0.270)	(0.506)	(0.299)	(0.267)	(0.310)	(0.350)	(0.203)
Government confidential	1.967		1.256	0.363	0.716	0.458	0.504	1.095	1.032		1.211
	(1.450)		(1.537)	(0.291)	(0.597)	(0.463)	(0.375)	(0.702)	(0.557)		(0.370)
Government secret	2.090		2.428*	0.979	1.284	0.209	1.245	1.452	1.142	0.802	1.911***
	(1.369)		(1.186)	(0.309)	(0.451)	(0.233)	(0.585)	(0.659)	(0.484)	(0.477)	(0.377)
Government top secret			2.811	1.364	1.346	0.582	0.697	1.250	1.068	0.590	0.651
			(3.064)	(0.853)	(0.631)	(0.655)	(0.524)	(1.008)	(0.592)	(0.573)	(0.255)
Constant	0.0245***	0.0349***	0.0564***	0.0650***	0.0322***	0.0174***	0.0309***	0.0590***	0.0463***	0.0796***	0.0411***
	(0.0148)	(0.0228)	(0.0253)	(0.0185)	(0.0121)	(0.0125)	(0.0120)	(0.0209)	(0.0154)	(0.0348)	(0.00725)
No. Observations	2,166	722	1,317	3,568	2,618	1,312	4,020	2,596	5,446	1,502	7,319
pseudo R2	0.0952	0.0606	0.0929	0.0603	0.0873	0.0774	0.0380	0.0441	0.0439	0.0976	0.0657

Robust standard errors in parentheses

Table 5: Industry-Specific Regression Results

	326	327	331	332	333	334	335	336	337	339	423
SDB not 8(a)	0.882	0.839	0.703**	0.773***	0.804***	0.781***	0.798***	0.841**	0.835	0.740***	0.836***
	(0.111)	(0.142)	(0.103)	(0.0458)	(0.0531)	(0.0428)	(0.0647)	(0.0638)	(0.0980)	(0.0553)	(0.0394)
8(a)	0.670	1.155	0.535	1.122	1.173	1.207**	1.058	1.094	2.670***	1.131	1.598***
	(0.228)	(0.409)	(0.211)	(0.137)	(0.152)	(0.113)	(0.152)	(0.164)	(0.462)	(0.194)	(0.139)
woman-owned	1.109	0.896	0.978	0.930*	0.914**	0.963	1.128**	1.002	1.096	0.837***	0.832***
	(0.0924)	(0.106)	(0.105)	(0.0380)	(0.0411)	(0.0381)	(0.0663)	(0.0531)	(0.0860)	(0.0411)	(0.0282)
minority-owned	0.790**	0.668**	0.917	0.926	0.859**	0.700***	0.844**	0.902	0.692***	0.764***	0.683***
	(0.0923)	(0.112)	(0.122)	(0.0509)	(0.0513)	(0.0333)	(0.0615)	(0.0613)	(0.0762)	(0.0505)	(0.0292)
hubzone	0.996	0.827	0.774	0.974	0.818**	0.990	1.018	1.177*	1.187	0.858	0.920
	(0.181)	(0.187)	(0.163)	(0.0754)	(0.0780)	(0.0949)	(0.127)	(0.115)	(0.189)	(0.108)	(0.0751)
service-disabled veteran	0.807	0.699	0.602**	0.975	0.811**	0.743***	0.936	0.840*	1.266*	1.172*	0.883**
	(0.147)	(0.159)	(0.141)	(0.0777)	(0.0713)	(0.0520)	(0.0946)	(0.0813)	(0.168)	(0.104)	(0.0542)
other veteran	0.975	1.233	0.738**	1.091*	1.006	0.859***	0.930	0.907	0.909	0.974	0.860***
	(0.111)	(0.192)	(0.111)	(0.0546)	(0.0545)	(0.0432)	(0.0718)	(0.0579)	(0.112)	(0.0646)	(0.0398)
log age	1.245***	1.291***	1.411***	1.242***	1.271***	1.371***	1.476***	1.461***	1.162***	1.081***	1.099***
	(0.0532)	(0.0718)	(0.0752)	(0.0241)	(0.0261)	(0.0259)	(0.0436)	(0.0364)	(0.0474)	(0.0243)	(0.0165)
log employment	1.088***	1.098**	0.978	1.080***	1.126***	1.160***	1.083***	1.052***	1.188***	1.233***	1.281***
	(0.0345)	(0.0475)	(0.0375)	(0.0160)	(0.0170)	(0.0148)	(0.0225)	(0.0182)	(0.0374)	(0.0218)	(0.0152)
log receipts	1.036**	1.029	1.039**	1.022***	1.034***	1.041***	1.031***	1.023***	1.040**	1.041***	1.021***
	(0.0168)	(0.0212)	(0.0185)	(0.00666)	(0.00702)	(0.00594)	(0.00956)	(0.00772)	(0.0162)	(0.00868)	(0.00533)
sole proprietor	0.970	0.862	1.041	0.981	0.858*	0.915	1.147	0.849*	0.843	0.864	1.068
(omitted: "other " orgs)	(0.171)	(0.200)	(0.197)	(0.0730)	(0.0738)	(0.0715)	(0.136)	(0.0839)	(0.138)	(0.0790)	(0.0676)
partnership	0.905	1.062	0.685*	0.877*	0.868*	0.895*	0.833*	0.838**	1.029	0.896	0.884**
	(0.137)	(0.223)	(0.147)	(0.0653)	(0.0663)	(0.0590)	(0.0891)	(0.0754)	(0.145)	(0.0729)	(0.0505)
corporate not tax-exempt	1.061	1.163	0.878	0.996	0.940	0.930**	0.969	0.971	1.022	0.900**	0.967
	(0.0862)	(0.129)	(0.0872)	(0.0376)	(0.0364)	(0.0329)	(0.0535)	(0.0460)	(0.0812)	(0.0417)	(0.0301)
corporate tax-exempt	0.481**		0.285**	0.367***	0.452***	0.538***	0.436***	0.434***	0.225***	0.434***	0.729**
	(0.172)		(0.150)	(0.0709)	(0.0823)	(0.0941)	(0.123)	(0.0974)	(0.121)	(0.0769)	(0.0904)
Government non-classified	1.113	1.351	1.374*	1.178**	0.918	0.948	1.064	0.790***	1.117	1.137	1.025
(omitted: no security reported)	(0.174)	(0.300)	(0.247)	(0.0858)	(0.0748)	(0.0553)	(0.102)	(0.0700)	(0.176)	(0.109)	(0.0655)
Government confidential	1.112	2.197**	2.174***	1.788***	1.454***	1.197	1.868***	1.201	0.906	1.329	1.416**
	(0.321)	(0.770)	(0.648)	(0.225)	(0.210)	(0.158)	(0.348)	(0.182)	(0.320)	(0.262)	(0.203)
Government secret	1.204	1.058	1.222	1.392***	1.074	1.149**	1.196	0.741***	0.941	0.972	1.257**
	(0.317)	(0.426)	(0.361)	(0.156)	(0.120)	(0.0776)	(0.141)	(0.0749)	(0.245)	(0.153)	(0.126)
Government top secret	1.076	1.212	0.602	0.790	0.724*	0.826**	0.907	0.809***	0.956	0.822	1.243**
	(0.460)	(0.676)	(0.376)	(0.135)	(0.120)	(0.0642)	(0.152)	(0.0517)	(0.286)	(0.178)	(0.125)
Constant	0.0607***	0.0523***	0.0746***	0.103***	0.104***	0.103***	0.0814***	0.120***	0.0724***	0.121***	0.0844***
	(0.0136)	(0.0150)	(0.0189)	(0.00993)	(0.0104)	(0.00882)	(0.0112)	(0.0138)	(0.0159)	(0.0140)	(0.00644)
No. Observations	6,178	3,624	3,708	23,841	20,004	23,412	9,881	12,587	5,623	15,230	43,167
pseudo R2	0.0266	0.0407	0.0385	0.0221	0.0332	0.0534	0.0467	0.0442	0.0424	0.0401	0.0422

Robust standard errors in parentheses

Table 5: Industry-Specific Regression Results

	424	425	441	442	443	444	445	446	447	448	451
SDB not 8(a)	0.777**	0.498*	0.811	0.953	0.802	0.642*	0.842	0.470**	0.995	0.735	0.924
	(0.0762)	(0.209)	(0.178)	(0.221)	(0.116)	(0.146)	(0.443)	(0.168)	(0.635)	(0.239)	(0.272)
8(a)	0.994		0.387	2.096**	2.070***	0.922	1.635			0.727	1.459
	(0.215)		(0.403)	(0.784)	(0.426)	(0.390)	(1.348)			(0.509)	(1.195)
woman-owned	0.803***	0.612	0.938	0.733**	1.128	0.742**	1.386	0.668**	0.837	1.002	0.927
	(0.0564)	(0.187)	(0.128)	(0.116)	(0.117)	(0.104)	(0.415)	(0.134)	(0.419)	(0.236)	(0.175)
minority-owned	0.763***	0.798	0.525***	0.563***	0.743**	0.787	0.300***	0.805	0.616	0.697	0.553**
	(0.0639)	(0.280)	(0.0973)	(0.124)	(0.0923)	(0.159)	(0.132)	(0.200)	(0.369)	(0.196)	(0.146)
hubzone	1.131	3.310**	1.613	1.293	1.266	1.686**		1.598		1.400	1.326
	(0.175)	(1.765)	(0.491)	(0.422)	(0.325)	(0.409)		(0.820)		(0.736)	(0.730)
service-disabled veteran	0.815	0.303	0.433**	0.732	0.757	0.971		1.038		1.221	0.744
	(0.112)	(0.243)	(0.163)	(0.221)	(0.141)	(0.256)		(0.336)		(0.483)	(0.283)
other veteran	0.708***	0.465	0.638**	0.962	0.613***	0.654*	0.723	1.198	0.902	0.827	0.727
	(0.0765)	(0.251)	(0.119)	(0.234)	(0.108)	(0.144)	(0.415)	(0.314)	(0.683)	(0.283)	(0.201)
log age	1.319***	1.605***	1.121**	0.905	1.118**	1.150**	1.231	1.051	1.020	1.218*	1.084
	(0.0429)	(0.246)	(0.0571)	(0.0653)	(0.0597)	(0.0698)	(0.157)	(0.0999)	(0.177)	(0.129)	(0.0952)
log employment	1.255***	1.196*	1.057	1.570***	1.322***	1.289***	0.918	1.127	1.222	1.203*	1.423***
	(0.0316)	(0.113)	(0.0422)	(0.102)	(0.0644)	(0.0633)	(0.122)	(0.101)	(0.172)	(0.125)	(0.101)
log receipts	1.040***	1.008	1.002	0.984	1.086***	0.992	1.125	1.090*	1.008	1.110*	1.010
	(0.0137)	(0.0415)	(0.0166)	(0.0231)	(0.0342)	(0.0201)	(0.106)	(0.0530)	(0.0564)	(0.0665)	(0.0309)
sole proprietor	0.933	1.387	0.770	0.931	1.127	0.952	0.255**	1.094	2.009	0.684	1.208
(omitted: "other " orgs)	(0.130)	(0.675)	(0.169)	(0.293)	(0.240)	(0.240)	(0.165)	(0.334)	(1.620)	(0.286)	(0.356)
partnership	0.766**	1.290	1.058	1.076	1.181	0.881	0.349*	0.498**	0.514	0.669	0.914
	(0.0972)	(0.607)	(0.189)	(0.295)	(0.220)	(0.203)	(0.200)	(0.167)	(0.575)	(0.286)	(0.309)
corporate not tax-exempt	0.910	0.792	0.899	1.085	0.995	0.939	0.567**	0.688**	1.549	1.151	1.177
	(0.0592)	(0.230)	(0.0953)	(0.165)	(0.103)	(0.114)	(0.156)	(0.127)	(0.719)	(0.261)	(0.223)
corporate tax-exempt	1.112	0.630	0.270**	0.156*	0.552	0.705	0.106**	0.760		0.466	0.302**
	(0.210)	(0.733)	(0.163)	(0.160)	(0.281)	(0.345)	(0.111)	(0.389)		(0.360)	(0.162)
Government non-classified	0.834	0.886	0.726	1.536	1.166	1.032	2.291	2.198**		3.993***	1.178
(omitted: no security reported)	(0.134)	(0.537)	(0.246)	(0.468)	(0.191)	(0.334)	(1.535)	(0.815)		(1.370)	(0.429)
Government confidential	0.746	3.059	0.839	1.275	0.961	1.169	4.204*	1.127			0.724
	(0.276)	(2.884)	(0.677)	(0.950)	(0.390)	(0.705)	(3.248)	(1.216)			(0.791)
Government secret	1.489	3.496	1.638	1.247	1.486*	1.597		0.658		2.653	0.318
	(0.391)	(2.831)	(0.759)	(0.733)	(0.339)	(0.782)		(0.683)		(1.742)	(0.332)
Government top secret	1.355	0.938	0.541	2.651	1.842***	3.216**		1.153		1.556	
	(0.432)	(1.013)	(0.558)	(1.694)	(0.339)	(1.660)		(1.174)		(1.587)	
Constant	0.0281***	0.00877***	0.108***	0.0617***	0.0182***	0.0402***	0.0319***	0.0285***	0.0454***	0.0102***	0.0372***
	(0.00518)	(0.00596)	(0.0269)	(0.0219)	(0.00738)	(0.0121)	(0.0367)	(0.0155)	(0.0406)	(0.00744)	(0.0156)
No. Observations	13,306	2,344	4,989	3,250	5,401	5,678	797	2,404	442	1,554	2,343
pseudo R2	0.0765	0.0800	0.0203	0.0606	0.0719	0.0374	0.0966	0.0503	0.0330	0.0898	0.0611

Robust standard errors in parentheses

Table 5: Industry-Specific Regression Results

	452	453	454	481	483	484	485	488	492	493	511
SDB not 8(a)	0.944	0.833	1.046	0.466**	1.042	0.983	0.692	0.501***	0.400***	0.705	0.734***
	(0.610)	(0.129)	(0.228)	(0.147)	(0.411)	(0.153)	(0.160)	(0.109)	(0.138)	(0.241)	(0.0867)
8(a)	19.21***	1.513	0.848	1.188	1.646	4.800***	1.586	2.706***	0.888	1.506	1.615***
	(17.70)	(0.420)	(0.506)	(0.818)	(1.328)	(0.981)	(0.665)	(0.708)	(0.383)	(0.609)	(0.255)
woman-owned	0.412*	1.018	0.641**	0.639**	0.271***	0.857	0.883	0.699***	0.997	0.700*	0.536***
	(0.194)	(0.106)	(0.116)	(0.122)	(0.110)	(0.0957)	(0.157)	(0.0956)	(0.223)	(0.151)	(0.0428)
minority-owned	0.524	1.128	0.893	0.307***	0.399**	0.722**	0.841	0.483***	0.653*	0.614	0.484***
	(0.308)	(0.150)	(0.182)	(0.0862)	(0.154)	(0.105)	(0.156)	(0.0851)	(0.168)	(0.190)	(0.0475)
Hubzone		1.413	2.213**	1.468	1.057	0.611**	0.714	0.882	1.105	1.078	0.928
		(0.329)	(0.743)	(0.660)	(0.599)	(0.135)	(0.400)	(0.236)	(0.641)	(0.436)	(0.229)
service-disabled veteran	1.270	1.039	1.410	0.520*	0.365	1.059	1.858**	0.846	1.216	0.971	0.625***
	(0.666)	(0.207)	(0.438)	(0.199)	(0.244)	(0.226)	(0.516)	(0.175)	(0.391)	(0.280)	(0.0968)
other veteran	1.072	0.685**	0.694	0.896	0.626	0.958	0.928	0.838	0.659	0.798	0.718***
	(0.561)	(0.123)	(0.179)	(0.184)	(0.255)	(0.164)	(0.217)	(0.150)	(0.261)	(0.259)	(0.0846)
log age	1.221	1.062	1.432***	2.044***	1.600***	1.295***	1.593***	1.358***	1.336**	1.000	1.264***
	(0.229)	(0.0534)	(0.119)	(0.193)	(0.211)	(0.0732)	(0.137)	(0.0801)	(0.162)	(0.0986)	(0.0432)
log employment	1.126	1.239***	1.240***	0.880**	0.900	1.198***	1.153***	1.064	1.036	1.074	1.236***
	(0.169)	(0.0632)	(0.0807)	(0.0516)	(0.0838)	(0.0316)	(0.0504)	(0.0407)	(0.0816)	(0.0623)	(0.0289)
log receipts	1.030	1.068**	1.095**	1.037	1.016	1.023	1.032	0.997	1.058	1.066*	1.056***
	(0.0722)	(0.0300)	(0.0504)	(0.0255)	(0.0337)	(0.0166)	(0.0259)	(0.0165)	(0.0418)	(0.0417)	(0.0143)
sole proprietor	0.440	0.612**	1.181	1.180	0.426*	0.541***	0.775	1.130	1.000	1.629	0.726**
(omitted: "other" orgs)	(0.368)	(0.130)	(0.371)	(0.327)	(0.207)	(0.118)	(0.245)	(0.233)	(0.383)	(0.546)	(0.117)
Partnership	1.679	0.800	0.637	1.016	0.530	0.680*	1.044	0.867	0.650	1.120	0.805*
	(1.176)	(0.158)	(0.225)	(0.296)	(0.218)	(0.135)	(0.308)	(0.194)	(0.315)	(0.349)	(0.0960)
corporate not tax-exempt	1.723	0.932	1.273	0.815	0.454***	0.709***	0.945	0.973	0.849	0.867	1.002
	(0.742)	(0.101)	(0.200)	(0.136)	(0.108)	(0.0731)	(0.167)	(0.119)	(0.203)	(0.175)	(0.0670)
corporate tax-exempt	0.564	0.275***	0.321	0.138*	0.195	0.352	0.0876***	0.504	0.707	0.457	0.814
	(0.667)	(0.109)	(0.237)	(0.141)	(0.201)	(0.260)	(0.0469)	(0.239)	(0.555)	(0.337)	(0.108)
Government non-classified	0.586	1.334	0.656	0.550	1.091	1.403	1.507	0.790	0.480	1.062	0.846
(omitted: no security reported)	(0.427)	(0.288)	(0.260)	(0.205)	(0.504)	(0.289)	(0.437)	(0.198)	(0.249)	(0.387)	(0.0913)
Government confidential	22.84**	1.235	0.518			0.967	0.613	1.088	1.440	2.104	1.076
	(30.22)	(0.573)	(0.517)			(0.543)	(0.604)	(0.521)	(1.155)	(1.320)	(0.293)
Government secret	2.042	1.049	0.674	0.663	1.119	1.051	0.499	1.384		1.279	0.792*
	(1.968)	(0.453)	(0.523)	(0.311)	(0.512)	(0.307)	(0.268)	(0.336)		(0.382)	(0.110)
Government top secret	1.078	1.294	1.854	0.205	2.318	0.801	0.715	0.702	1.081	1.138	0.920
	(0.862)	(0.684)	(1.105)	(0.204)	(1.682)	(0.356)	(0.411)	(0.280)	(0.450)	(0.474)	(0.108)
Constant	0.0214***	0.0255***	0.00436***	0.0521***	0.0871***	0.0239***	0.0197***	0.0356***	0.0321***	0.0154***	0.0555***
	(0.0235)	(0.00926)	(0.00277)	(0.0201)	(0.0442)	(0.00648)	(0.00790)	(0.00925)	(0.0175)	(0.00901)	(0.00995)
No. Observations	663	6,187	4,341	1,553	1,009	8,114	2,431	7,139	1,447	4,369	9,939
pseudo R2	0.117	0.0422	0.0990	0.135	0.0880	0.0530	0.0872	0.0445	0.0715	0.0227	0.0896

Robust standard errors in parentheses

Table 5: Industry-Specific Regression Results

	512	515	517	518	519	523	524	531	532	541	561
SDB not 8(a)	0.437**	0.859	0.719**	0.738	0.483**	0.272*	0.794	0.480***	0.549***	0.644***	0.700***
	(0.144)	(0.259)	(0.107)	(0.153)	(0.137)	(0.206)	(0.345)	(0.106)	(0.0811)	(0.0246)	(0.0359)
8(a)	3.167***	1.241	1.506**	1.916***	1.338	0.988	0.775	0.983	1.103	3.521***	3.241***
	(1.174)	(0.871)	(0.285)	(0.415)	(0.419)	(1.153)	(0.856)	(0.461)	(0.254)	(0.160)	(0.194)
woman-owned	0.591***	0.661*	0.711***	0.675**	0.657***	1.412	0.173***	1.340***	0.704***	0.762***	0.961
	(0.0991)	(0.151)	(0.0822)	(0.103)	(0.102)	(0.587)	(0.0927)	(0.126)	(0.0726)	(0.0184)	(0.0337)
minority-owned	0.462***	0.705	0.558***	0.514***	0.461***	0.374**	0.391**	0.473***	0.885	0.645***	0.679***
	(0.114)	(0.160)	(0.0726)	(0.0890)	(0.0994)	(0.187)	(0.150)	(0.0718)	(0.110)	(0.0200)	(0.0290)
hubzone	0.317	1.546	1.273	1.219	0.500		2.678	1.099	1.013	0.889*	1.304***
	(0.310)	(2.141)	(0.300)	(0.381)	(0.307)		(3.190)	(0.483)	(0.207)	(0.0606)	(0.0962)
service-disabled veteran	1.163	0.178**	0.684**	0.588**	0.511**	0.537	0.620	0.467**	0.848	0.737***	1.018
	(0.365)	(0.132)	(0.117)	(0.148)	(0.166)	(0.595)	(0.362)	(0.154)	(0.147)	(0.0322)	(0.0582)
other veteran	0.694	0.425*	0.945	0.965	0.349***	3.290**	0.366	1.503***	0.666**	0.685***	0.848***
	(0.197)	(0.204)	(0.142)	(0.220)	(0.128)	(1.529)	(0.271)	(0.180)	(0.109)	(0.0272)	(0.0495)
log age	1.189*	1.104	1.220***	1.286***	1.247***	1.731**	1.556***	1.493***	1.090*	1.218***	1.315***
	(0.105)	(0.113)	(0.0607)	(0.116)	(0.0967)	(0.372)	(0.226)	(0.0542)	(0.0546)	(0.0156)	(0.0268)
log employment	1.082	1.199***	1.293***	1.293***	1.575***	1.095	1.143*	0.861***	1.239***	1.236***	1.145***
	(0.0586)	(0.0707)	(0.0462)	(0.0595)	(0.0843)	(0.123)	(0.0874)	(0.0309)	(0.0390)	(0.00988)	(0.0131)
log receipts	1.027	0.939***	1.056**	1.065*	1.005	0.938	0.937**	0.971***	1.006	1.021***	0.993
	(0.0255)	(0.0189)	(0.0230)	(0.0385)	(0.0227)	(0.0394)	(0.0300)	(0.00923)	(0.0141)	(0.00391)	(0.00497)
sole proprietor	1.490*	3.933***	0.798	2.152***	2.211***	0.969	0.462	2.091***	0.695*	1.534***	1.608***
(omitted: "other" orgs)	(0.322)	(1.136)	(0.202)	(0.614)	(0.518)	(0.652)	(0.303)	(0.210)	(0.132)	(0.0520)	(0.0808)
partnership	1.240	0.658	1.018	1.292	0.450**	0.692	1.242	0.282***	0.552***	0.922*	0.940
	(0.314)	(0.328)	(0.170)	(0.331)	(0.164)	(0.591)	(0.698)	(0.0348)	(0.103)	(0.0385)	(0.0645)
corporate not tax-exempt	0.962	0.815	0.796**	1.304*	1.036	2.063	0.918	1.730***	0.899	0.976	0.950
	(0.170)	(0.231)	(0.0776)	(0.193)	(0.159)	(0.983)	(0.320)	(0.167)	(0.0837)	(0.0248)	(0.0394)
corporate tax-exempt	0.447*	0.559	0.748	0.875	0.973	0.671	1.014	0.0467***	0.312**	0.831***	0.383***
	(0.194)	(0.237)	(0.199)	(0.414)	(0.225)	(0.730)	(0.881)	(0.0169)	(0.165)	(0.0467)	(0.0532)
Government non-classified (omitted: no security reported)	0.881	2.019**	0.827	1.073	0.645	1.138	0.401	0.991	1.075	1.137***	0.877**
	(0.265)	(0.656)	(0.143)	(0.215)	(0.173)	(0.908)	(0.414)	(0.249)	(0.196)	(0.0454)	(0.0583)
Government confidential	0.524	4.120**	1.120	0.646	0.678	1.110	1.897	0.830	0.628	1.294***	1.137
	(0.552)	(2.749)	(0.419)	(0.331)	(0.375)	(1.015)	(2.046)	(0.513)	(0.389)	(0.119)	(0.144)
Government secret	0.517	0.742	0.904	0.553**	0.510**	2.120	3.351*	0.476	1.012	1.962***	0.973
	(0.233)	(0.513)	(0.170)	(0.142)	(0.167)	(2.397)	(2.118)	(0.344)	(0.296)	(0.0802)	(0.0747)
Government top secret	0.875		0.710**	0.649**	0.257***		1.350	0.744	0.786	1.871***	0.586***
	(0.385)		(0.109)	(0.129)	(0.0885)		(1.459)	(0.468)	(0.308)	(0.0740)	(0.0472)
Constant	0.0362***	0.191***	0.0268***	0.00562***	0.0187***	0.0149***	0.0470***	0.0290***	0.0786***	0.0443***	0.0530***
	(0.0130)	(0.0711)	(0.00802)	(0.00270)	(0.00617)	(0.0117)	(0.0301)	(0.00425)	(0.0172)	(0.00240)	(0.00425)
No. Observations	4,140	1,123	6,709	8,641	6,512	1,067	1,442	24,161	7,078	109,839	46,520
pseudo R2	0.0480	0.138	0.0798	0.0689	0.139	0.128	0.130	0.120	0.0384	0.0568	0.0435

Robust standard errors in parentheses

Table 5: Industry-Specific Regression Results

	562	611	621	622	623	624	711	712	713	721	722
SDB not 8(a)	0.653***	0.538***	0.860	0.377***	0.348	0.555***	0.256***	0.135*	0.561	0.542***	0.949
	(0.0698)	(0.0506)	(0.118)	(0.105)	(0.239)	(0.121)	(0.0700)	(0.140)	(0.239)	(0.108)	(0.165)
8(a)	2.049***	1.740***	5.822***	1.719	0.707	1.722	0.987	3.160	2.110	0.562	1.418
	(0.258)	(0.212)	(1.013)	(0.576)	(0.799)	(0.591)	(0.477)	(2.386)	(1.610)	(0.290)	(0.425)
woman-owned	0.872*	0.781***	0.875*	0.412***	0.536**	1.177	0.564***	0.763	0.611**	0.842*	0.952
	(0.0666)	(0.0390)	(0.0625)	(0.0762)	(0.153)	(0.134)	(0.0618)	(0.225)	(0.150)	(0.0877)	(0.111)
minority-owned	0.688***	0.444***	0.561***	0.873	0.653	0.549***	0.877	0.754	0.529**	0.888	0.545***
	(0.0653)	(0.0302)	(0.0512)	(0.176)	(0.182)	(0.0760)	(0.112)	(0.296)	(0.160)	(0.0745)	(0.0731)
hubzone	0.740**	0.960	1.411	0.366*		0.357	0.475	1.450	0.320	1.070	1.017
	(0.0973)	(0.185)	(0.367)	(0.193)		(0.256)	(0.493)	(1.060)	(0.297)	(0.662)	(0.343)
service-disabled veteran	0.743**	0.837**	1.119	0.792	0.351	1.165	0.558*		0.481	0.679	0.187***
	(0.0910)	(0.0736)	(0.153)	(0.202)	(0.365)	(0.280)	(0.173)		(0.225)	(0.202)	(0.0790)
other veteran	0.960	1.049	0.943	0.909	2.044*	0.760	1.039	0.860	0.668	0.974	0.887
	(0.117)	(0.0751)	(0.102)	(0.222)	(0.778)	(0.185)	(0.187)	(0.461)	(0.261)	(0.161)	(0.192)
log age	1.342***	1.364***	1.141***	1.359***	1.152*	1.176***	1.162***	0.875	1.105	0.995	1.331***
	(0.0583)	(0.0363)	(0.0385)	(0.106)	(0.0841)	(0.0687)	(0.0617)	(0.110)	(0.110)	(0.0358)	(0.0789)
log employment	1.145***	0.944***	0.990	0.928*	1.431***	0.983	1.100**	1.077	1.119**	1.176***	0.999
	(0.0305)	(0.0198)	(0.0211)	(0.0408)	(0.0591)	(0.0444)	(0.0407)	(0.120)	(0.0636)	(0.0257)	(0.0358)
log receipts	0.996	0.995	1.018*	1.039**	1.044*	1.027	0.948***	0.970	1.007	0.998	0.998
	(0.0112)	(0.00657)	(0.00954)	(0.0198)	(0.0271)	(0.0173)	(0.0118)	(0.0352)	(0.0252)	(0.00909)	(0.0161)
sole proprietor	1.227*	2.092***	1.058	0.544**	2.738**	1.883***	1.954***	1.771	1.272	2.590***	1.514**
(omitted: "other" orgs)	(0.148)	(0.140)	(0.102)	(0.147)	(1.236)	(0.307)	(0.302)	(0.807)	(0.373)	(0.315)	(0.251)
partnership	0.960	1.074	0.923	0.695	0.928	0.710	0.733	0.442	1.162	0.996	0.803
	(0.120)	(0.106)	(0.113)	(0.202)	(0.180)	(0.184)	(0.199)	(0.480)	(0.375)	(0.0885)	(0.145)
corporate not tax-exempt	0.875*	1.041	0.879	1.128	1.009	0.943	0.764	1.393	0.893	0.920	0.846
	(0.0645)	(0.0662)	(0.0731)	(0.187)	(0.178)	(0.149)	(0.145)	(0.563)	(0.211)	(0.0784)	(0.111)
corporate tax-exempt	0.304***	0.538***	0.329***	0.188***	0.377***	0.268***	0.277***	0.997	0.567*	0.773	0.271***
	(0.116)	(0.0466)	(0.0418)	(0.0458)	(0.0686)	(0.0424)	(0.0731)	(0.412)	(0.178)	(0.151)	(0.0862)
Government non-classified	0.691**	0.947	0.942	1.269	1.624	0.552	1.030		0.605	0.617*	0.507*
(omitted: no security reported)	(0.110)	(0.0850)	(0.156)	(0.406)	(0.657)	(0.200)	(0.265)		(0.378)	(0.161)	(0.180)
Government confidential	1.339	0.718	0.727	0.256		1.798	1.597		7.929***	0.970	0.873
	(0.361)	(0.181)	(0.249)	(0.247)		(0.746)	(0.865)		(4.923)	(0.561)	(0.691)
Government secret	0.482***	0.975	0.874	0.327**		1.265	0.430	2.276	1.039	1.168	1.149
	(0.135)	(0.112)	(0.197)	(0.157)		(0.488)	(0.258)	(2.029)	(0.809)	(0.594)	(0.459)
Government top secret	0.467**	0.884	0.491**	0.169**		0.807	1.119		3.787*	0.798	
	(0.148)	(0.0998)	(0.175)	(0.124)		(0.510)	(0.611)		(2.958)	(0.615)	
Constant	0.0662***	0.0636***	0.0897***	0.234***	0.0147***	0.0276***	0.118***	0.0918***	0.0667***	0.168***	0.141***
	(0.0113)	(0.00658)	(0.0125)	(0.0729)	(0.00619)	(0.00688)	(0.0243)	(0.0556)	(0.0262)	(0.0269)	(0.0373)
No. Observations	10,702	28,911	13,624	1,420	3,849	14,706	5,880	1,467	2,023	6,150	3,198
pseudo R2	0.0395	0.0624	0.0333	0.105	0.115	0.0661	0.0828	0.0376	0.0476	0.0263	0.0534

Robust standard errors in parentheses

Table 5: Industry-Specific Regression Results

	811	812	813
SDB not 8(a)	0.751***	0.475***	0.531**
	(0.0564)	(0.110)	(0.133)
8(a)	1.457***	0.666	1.137
	(0.179)	(0.327)	(0.643)
woman-owned	0.912*	0.577***	0.455***
	(0.0484)	(0.0868)	(0.0692)
minority-owned	0.634***	0.583***	0.767*
	(0.0410)	(0.101)	(0.105)
hubzone	0.829	1.966**	0.883
	(0.116)	(0.657)	(0.700)
service-disabled veteran	0.939	0.966	1.354
	(0.0860)	(0.227)	(0.340)
other veteran	1.039	0.886	0.701
	(0.0658)	(0.194)	(0.164)
log age	1.187***	1.133**	1.532***
	(0.0290)	(0.0700)	(0.0734)
log employment	1.178***	1.215***	1.033
	(0.0202)	(0.0492)	(0.0338)
log receipts	1.002	0.990	0.994
	(0.00716)	(0.0175)	(0.0125)
sole proprietor	0.834**	1.333	4.316***
(omitted: "other" orgs)	(0.0654)	(0.266)	(0.673)
partnership	0.860*	1.079	0.833
	(0.0777)	(0.247)	(0.303)
corporate not tax-exempt	0.997	1.066	0.769
	(0.0503)	(0.164)	(0.141)
corporate tax-exempt	0.776	0.0822***	0.549***
	(0.159)	(0.0595)	(0.0711)
Government non-classified	1.156	1.188	1.680**
(omitted: no security reported)	(0.104)	(0.331)	(0.415)
Government confidential	0.957	1.091	0.981
	(0.215)	(0.713)	(0.571)
Government secret	1.065	0.887	0.850
	(0.134)	(0.432)	(0.470)
Government top secret	0.641***	0.923	0.872
	(0.0994)	(0.497)	(0.477)
Constant	0.0838***	0.0758***	0.0297***
	(0.00913)	(0.0213)	(0.00660)
No. Observations	21,820	3,877	9,378
pseudo R2	0.0265	0.0690	0.0760

Robust standard errors in parentheses

Table 6

NAICS Codes Referenced in Table 4

111 – Crop Production
112 – Animal Production
113 – Forestry and Logging
114 – Fishing, Hunting and Trapping
115 – Support Activities for Agriculture and Forestry
211 – Oil and Gas Extraction
212 – Mining (except Oil and Gas)
213 – Support Activities for Mining
236 – Construction of Buildings
237 – Heavy and Civil Engineering Construction
238 – Specialty Trade Contractors
311 – Food Manufacturing
312 – Beverage and Tobacco Product Manufacturing
313 – Textile Mills
314 – Textile Product Mills
315 – Apparel Manufacturing
316 – Leather and Allied Product Manufacturing
321 – Wood Product Manufacturing
322 – Paper Manufacturing
323 – Printing and Related Support Activities
324 – Petroleum and Coal Products Manufacturing
325 – Chemical Manufacturing
326 – Plastics and Rubber Products Manufacturing
327 – Nonmetallic Mineral Product Manufacturing
331 – Primary Metal Manufacturing
332 – Fabricated Metal Product Manufacturing
333 – Machinery Manufacturing
334 – Computer and Electronic Product Manufacturing
335 – Electrical Equipment, Appliance and Component Manufacturing
336 – Transportation Equipment Manufacturing
337 – Furniture and Related Product Manufacturing
339 – Miscellaneous Manufacturing
423 – Merchant Wholesalers, Durable Goods
424 – Merchant Wholesalers, Nondurable Goods
425 – Wholesale Electronic Markets and Agents and Brokers
441 – Motor Vehicle and Parts Dealers
442 – Furniture and Home Furnishings Stores
443 – Electronics and Appliance Stores

Table 6

NAICS Codes Referenced in Table 4

444 – Building Material and Garden Equipment and Supplies Dealers
445 – Food and Beverage Stores
446 – Health and Personal Care Stores
447 – Gasoline Stations
448 – Clothing and Clothing Accessories Stores
451 – Sporting Good, Hobby, Book and Music Stores
452 – General Merchandise Stores
453 – Miscellaneous Store Retailers
454 – Nonstore Retailers
481 – Air Transportation
483 – Water Transportation
484 – Truck Transportation
485 – Transit and Ground Passenger Transportation
488 – Support Activities for Transportation
492 – Couriers and Messengers
493 – Warehousing and Storage
511 – Publishing Industries (except Internet)
512 – Motion Picture and Sound Recording Industries
515 – Broadcasting (except Internet)
517 – Telecommunications
518 –Data Processing, Hosting, and Related Services
519 – Other Information Services
523 – Financial Investments and Related Activities
524 – Insurance Carriers and Related Activities
531 – Real Estate
532 – Rental and Leasing Services
541 – Professional, Scientific and Technical Services
561 – Administrative and Support Services
562 – Waste Management and Remediation Services
611 – Educational Services
621 – Ambulatory Health Care Services
622 – Hospitals
623 – Nursing and Residential Care Facilities
624 – Social Assistance
711 – Performing Arts, Spectator Sports and Related Industries
712 – Museums, Historical Sites and Similar Institutions
713 – Amusement, Gambling and Recreation Industries
721 – Accommodation
722 – Food Services and Drinking Places

Table 6

NAICS Codes Referenced in Table 4

811 – Repair and Maintenance

812 – Personal and Laundry Services

813 – Religious, Grantmaking, Civic, Professional and Similar Organizations

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Summary

An economist with over twenty years experience applying empirical and statistical economic techniques to policy issues in many industries, both in the Federal government and in the private sector. Qualifications include excellent written and oral communication skills, great attention to detail and the ability to discern the appropriate empirical tools to apply to policy.

Education

PhD, Economics - Massachusetts Institute of Technology
Dissertation: The Deregulation of the Savings and Loan Industry

BA, summa cum laude, Economics and History - University of Pennsylvania

Professional Experience

US Department of Commerce, Economics and Statistics Administration **2010-Present**
Deputy Chief Economist

Manage a staff of thirteen economists. Analyze major economic data releases, such GDP, personal income and durable goods, for the Secretary of Commerce and other senior officials and post analysis on the Department's website. Serve as internal consultant for other agencies within the Department and the Administration on economic issues. Lead research projects in areas such as innovation and telecommunications. Received a Gold Medal Award for Distinguished Achievement in the Federal Service.

US Department of Justice, Antitrust Division **2010**
Economist

NERA Economic Consulting, Washington, DC **1999-2009**
Vice President (2003-2009); Senior Consultant (1999-2003)

Provided economic consulting services to clients in industries such as telecommunications, financial services, pharmaceuticals, agriculture, and energy. Reviewed and synthesized documents and large data sets into coherent and persuasive analyses. Wrote numerous "white papers" submitted to government agencies, expert reports submitted in Federal court and published numerous articles. Presented research findings to government agencies and various other audiences.

- Testified in an arbitration hearing on the effect of volume discounts on competition and potential damages from any harm to competition.

- Demonstrated expertise in data analysis, including the econometric estimation of damages related to labor discrimination and price-fixing.

- Successfully led many project teams; developed task timelines; provided feedback to staff on their work. Many of these projects generated roughly $1 million in revenue each.

Economists Incorporated **1997-1999**
Senior Economist

- Researched and wrote expert reports for a senior colleague on multi-player games on the Internet and on the wholesale distribution of medical products and analyzed mergers in banking, industrial products and healthcare.

US Department of Justice, Antitrust Division **1988-1997**
Economist

Investigated mergers and other business practices in various industries, including banking, healthcare, ticket distribution, cable television and broadcast radio.

- Published a paper on the effects of cable television deregulation that has been cited more than 80 times, including in the U.S. Senate debate on re-regulation.

- Traveled to Eastern Europe to advise governments on policy issues related to their transition to market economies.

- Wrote comments for the Division on bidding rules for direct broadcast satellite slots (filed with the FCC) and on cable television legislation (filed with Congress).

- Worked on six-month detail at the Federal Communications Commission (1995).

Massachusetts Institute of Technology **1985-1988**
Teaching Assistant and Research Assistant

- Taught part of the graduate level microeconomic theory sequence for two years and conducted research for Professors Jeffrey Harris and Lester Thurow.

Joint Economic Committee **1984**
Summer Intern

- Assisted staff with research projects and preparations for hearings.

Addendum

Honors and Professional Activities

Referee for *Journal of Law and Economics* and *Journal of Law, Economics and Organizations*

Book Review of *Cable TV: Regulation or Competition?* by R.W. Crandall and H. Furchtgott-Roth, published in *Review of Industrial Organization*, 1997

Member, American Bar Association, Antitrust Law Section

Member, Phi Beta Kappa

Member, Omicron Delta Epsilon (Economics Honor Society)

Benjamin Franklin Scholar, University of Pennsylvania

AAG Outstanding Contribution Awards, Antitrust Division, Department of Justice, 1994, 1995 and 1996

Publications

"The Use of Benchmarking in Labor Discrimination Litigation" (with John Johnson IV), Working Paper, 2009.

"Critical Loss Analysis: Let's Finish the Story," Working Paper, 2009.

"The Role of Fixed Cost Savings in Merger Analysis," *Journal of Competition Law and Economics*, November 2008.

"Acquisitions that Create Efficiencies: Merger Analysis and the Treatment of Reductions in Fixed Costs," *Antitrust Insights*, a NERA publication, Spring 2008.

"New Thinking on the Role of Fixed Cost Savings in Merger Analysis," *Antitrust Source*, American Bar Association, Section of Antirust Law, volume 7, no. 4, 2008.

"A Shopping List for Assessing the Competitive Effects of Retail Chain Mergers" (with Elizabeth M. Bailey and Timothy P. Daniel), *Antitrust*, American Bar Association, Section of Antirust Law, volume 20, no.1, 2005.

Contributor to *Telecom Antitrust Handbook*, American Bar Association, Section of Antitrust Law, June 2005.

"The Economics of Refusals to Deal," *Antitrust Insights*, a NERA publication, May/June 2004.

"Market Power and Price Increases for Basic Cable Service since Deregulation," *Rand Journal of Economics*, Volume 24, Number 1, Spring 1993, pp. 1-18.

"Moral Hazard in the Thrift Industry," EAG Discussion Paper, US Department of Justice, 90-1, 1990.

"How Does Financial Performance Influence a Thrift's Decision to Diversify?" EAG Discussion Paper, US Department of Justice, 89-5, 1989.

Testimony and Reports

Expert Report, Deposition and Arbitration Hearing Testimony on behalf of Defendants in *Skywalker Communications, Inc. v Hughes Network Systems*, American Arbitration Association, Washington, DC, July 2005.

Selected Presentations

"The Role of Fixed Cost Savings in Merger Analysis," seminars presented at Cleary Gottlieb, Washington, DC, June 2008 and at Hogan and Hartson, Washington, DC, March 2008.

"The Role of Economists in Antitrust Litigation," seminar presented at Hogan and Hartson, Washington, DC, October 2006.

"The Application of Differentiated Product Econometrics in Merger Analysis," seminar presented at Cleary Gottlieb, Washington, DC, September 2006.

Participant in Panel entitled "Presenting a Merger to the Government: A Demonstration," *ABA Section of Business Law Spring Meeting*, Tampa, Florida, April 2006.

Participant in Panel entitled "A Merger Presentation to the Agencies: A Case Study," *NERA Antitrust and Trade Regulation Seminar*, Santa Fe, New Mexico, July 2005.

"Market Definition and Pharmaceuticals: New Thinking on Critical Loss," *NERA Antitrust and Trade Regulation Seminar*, Santa Fe, New Mexico, July 2003.

"Merger Analysis of Differentiated Products," seminar presented at Wilmer, Cutler and Pickering, Washington DC, June 2001.

Presentation to Polish Competition Authority on Antitrust Issues in Banking, Insurance and Media, 1995.

Presentation to Slovakian Competition Authority on Price Regulation, 1994.

"Market Power and Price Increases for Basic Cable Television Service since Deregulation," *Telecommunications Policy Research Conference*, 1991.

IN THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF COLUMBIA

Rothe Development, Inc.,	)	
	)	
Plaintiff	)	
	)	
vs.	)	Civil Action No. 12-CV-744
	)	
	)	
Department of Defense and	)	
Small Business Administration	)	
	)	
Defendants.	)	
	)	
	)	
	)	

REPORT OF DEFENDANT'S EXPERT

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March 8, 2013

CONTENTS

TABLES

I. Introduction

I am Jon Wainwright, Senior Vice President with NERA Economic Consulting in Chicago, Illinois and Austin, Texas. NERA is a national and international economic consulting firm dedicated to applying economic, finance, and quantitative principles to complex business and legal challenges. I hold a Ph.D. in economics and have worked with NERA since 1995.

I have been asked to review the Minority-Owned Business Enterprise (MBE) disparity and availability studies submitted to Congress as well as other related studies and statistical materials. These disparity and availability studies were conducted by myself and by others, and examine statistical evidence of MBE participation in public sector and private sector contracting and procurement activity, MBE representation in the relevant business population, and explanations for the disparities observed between these factors. They also include qualitative, or anecdotal, accounts from both MBEs and non-MBEs regarding these disparities. Taken as a whole, my conclusion is that these materials contain significant evidence of large and adverse disparities facing minority business enterprises. Moreover, I find that these disparities cannot be explained solely by differences between the minority and non-minority businesses in factors untainted by the effects of discrimination. Therefore, they are consistent with the presence of discrimination and its lingering effects in the small business contracting environment. When I also include the smaller number of studies in the record that have not yet been submitted to Congress, I reach the same general conclusions.

A. Qualifications

I hold a Ph.D. in economics from the University of Texas at Austin. My graduate curriculum included advanced courses in statistics, econometrics and labor economics, among others. Prior to joining NERA, I was a Research Associate Professor at the Lyndon B. Johnson School of Public Affairs at the University of Texas at Austin and also headed my own economic consulting firm. I am a member of the American Economic Association and an associate member of the American Bar Association Sections on Public Contract Law and Labor and Employment Law.

At NERA, I conduct economic and statistical studies of discrimination for attorneys, corporations, governments and non-profit organizations. I also conduct research and advise clients on adverse impact and economic damage issues arising from contracting activities, hiring, termination, performance assessment, compensation, and promotion. I have extensive experience producing, processing, and analyzing large and complex statistical databases. I have worked extensively with public sector contracting and purchasing data, as well as with the socioeconomic and demographic data produced by the Census Bureau and other official statistical agencies, including the Public Use Microdata Samples from the decennial census and the American Community Survey, the five-year Economic Censuses, and the Current Population Survey.

I have conducted economic and statistical research and assisted in litigation concerning the use of affirmative action in public contracting activities since the 1989 *Croson* decision.[1] Since 2004,

[1] *City of Richmond v. J.A. Croson Co.*, 488 U.S. 469 (1989).

I have directed NERA's national affirmative action consulting practice. In that capacity, I have served as the project director and principal investigator for more than 30 studies of business discrimination, and prior to that time as principal or co-principal investigator on approximately a dozen additional business discrimination studies. I have authored two peer-reviewed monographs and several articles and white papers on this and related subjects, including *Guidelines for Conducting a Disparity and Availability Study for the Federal DBE Program*, published in 2010 by the *Transportation Research Board* of the *National Academy of Sciences*. I have been repeatedly qualified as an expert witness in both federal and state courts and have testified in these and related matters on 15 occasions, and have testified before the United States Congress on these matters on five occasions.

My current curriculum vitae, including my publications and a listing of all trial testimony I have given in the last ten years, is attached to this report as Exhibit A. The source material relied on in reaching my findings and conclusions are noted below in the body of my report.

B. Minorities Have Been Historically and Consistently Disadvantaged in Business Enterprise Activity

As other researchers have noted, and as demonstrated in the studies, reports, and other testimony submitted to Congress, minorities have been historically and consistently disadvantaged by the effects of discrimination in business enterprise.[2] Despite progress in some areas, these disadvantages persist.[3]

Blacks, for example, comprise 14.0 percent of the general population, 12.0 percent of the civilian labor force, 11.2 percent of total employment, and 12.5 percent of total money income. However, Blacks own only 7.3 percent of the nation's businesses, and those businesses earn a mere 1.25 percent of all business sales and receipts.[4]

For Hispanics the situation is similar; they represent almost 16.3 percent of the general population, 15.8 percent of the civilian labor force, 15.4 percent of total employment, and 11.3 percent of total money income. However, Hispanics own only 8.6 percent of the nation's businesses, and those businesses earn only 3.2 percent of all business sales and receipts.

For American Indians and Alaska Natives, the trend is similar. This group comprises approximately 2.0 percent of the general population, but only 0.9 percent of the business population and earn only 0.31 percent of business sales and receipts.

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[2] *See, e.g.*, U.S. Department of Commerce (2006); Lowrey (2007); Marshall (2000); Lowrey (2007).

[3] *See*, generally, United States Small Business Administration (2010).

[4] General population statistics are from the U.S. Census Bureau (2012); civilian labor force and total employment figures are from Bureau of Labor Statistics (2012a, 2012b); total money income statistics are from U.S. Census Bureau (2010a); business enterprise statistics are from the 2007 *Survey of Business Owners*, U.S. Census Bureau (2011a). Publicly-owned companies have been excluded from all of the calculations in this report that use *Survey of Business Owners* statistics.

Asians and Pacific Islanders might appear to be an exception; they represent 6.2 percent of the general population, 5.2 percent of the civilian labor force, 5.4 percent of total employment, 4.0 percent of total money income, and own 6.0 percent the nation's businesses. However, similar to other minority groups, their share of business sales and receipts, at only 4.7 percent, is substantially lower than their proportional representation in the business population.

Even when restricted to just firms with paid employees, the disparities between minorities and non-minorities are very large. In 2007, for every dollar in sales and receipts earned by non-minority male-owned employers, Asian and Pacific Islander and Native American employers earned 44 cents, Hispanic employers earned 42 cents, and Blacks earned 35 cents.[5] These disparities have actually worsened in recent years. According to Lowrey, in the 2002 business census data, "[o]n average, for every dollar that a non-minority male-owned firm made, Pacific Islander-owned firms made about 59 cents, Hispanic-, Native American-, and Asian-owned firms made 56 cents, and Black-owned businesses made 43 cents."[6]

The overwhelming majority of businesses (78 percent) have less than 10 employees, and only a small fraction (0.13 percent) have more than 500. Minority-owned firms are over-represented in the former category and under-represented in the latter. For the largest firms in 2007, 0.14 percent of non-minority-owned firms had 500 or more employees, compared to 0.04 percent of Asian and Pacific Islander-owned firms, 0.07 percent of Hispanic-owned firms, 0.04 percent of Native American-owned firms, and 0.10 percent of Black-owned firms.[7]

Even those minorities who manage against the odds to start their own businesses must compete in a business enterprise system that has long been dominated by non-minority-owned firms.[8] The advantages enjoyed by non-minorities in this context are borne out in the statistics—in a recent pair of studies of employer business closure rates using data from the 2002 business census and the 2002-2006 *County Business Patterns* data, Lowrey documented that existing Black-owned, Hispanic-owned, and Asian and Pacific Islander-owned businesses across a wide variety of industry groups suffered substantially higher closure rates than did their non-minority counterparts.[9]

II. Overview of Disparity Study Methods

Before proceeding to a summary of the evidence in the record of minority business discrimination, it is helpful to provide a brief overview of what disparity studies are and the types of evidence they typically contain. Below, I describe the key elements included in my own disparity studies and explain their importance in the context of strict scrutiny. Many of these

[5] U.S. Census Bureau (2011a). The 2007 data, released in 2011, are the most recent available.

[6] Lowrey (2007), p. 1.

[7] U.S. Census Bureau (2011b, 2011c).

[8] *See, e.g.*, Wainwright (2000), pp. 17-22, and the studies cited therein.

[9] Lowrey (2010), pp. 20-21. The comparison was between non-publicly held establishments that were in business in 2002 but had closed by 2006 versus all non-publicly held establishments in business in 2002.

elements are found in other consultants' studies as well.[10] The key elements of a disparity study include:

- Determining the appropriate geographic and product market area;
- Developing availability and utilization estimates;
- Estimating public entity contracting disparities;
- Estimating economy-wide disparities; and
- Collecting anecdotal evidence in order to check for consistency with statistical findings.

A. Determination of Relevant Geographic Market Area

The relevant geographic market area for each disparity study identifies those vendor locations that account for approximately 75 percent or more of contract and subcontract[11] dollar expenditures in the project database for the study period.[12] Firms in these locations should be included for analysis in the disparity study. Each study contains a section describing how the government entity's contract and subcontract data were used to make this determination and showing the results.

Location is determined by linking the zip code of the contractor or subcontractor to the associated state and county. For multi-establishment firms, location does not have to be defined as the headquarters of the firm. If the firm has established a local presence, it is appropriate to use that address for purposes of market area determination.

B. Determination of Relevant Product Market

Two contracting categories regularly examined in disparity studies are Construction and Construction-related Professional Services (CPS).[13] Other Professional Services, General Services, and Commodities, Supplies, and Equipment are frequently examined as well.

The relevant product market is comprised of those detailed industries that collectively account for at least 75 percent of relevant contract and subcontract dollar expenditures for the time period being examined in the disparity study. Firms in these industries should be included for analysis in the study. The amounts accounted for by each industry are listed by dollars and also as a percentage of overall spending. The percentage distribution by industry is used elsewhere in the

[10] These are discussed in more detail in Wainwright and Holt (2010, 29–53).

[11] By "subcontract" I intend to include subcontractors, subconsultants, suppliers, and truckers, and in general, any firm that is paid by the prime contractor or vendor to provide goods or services.

[12] The project database should include a representative sample of prime contracts and purchases, and associated subcontracting, subconsulting, and supplier activity, during the time period under study.

[13] Sometimes also referred to as "architecture & engineering," "design," "pre-construction," or just "consulting."

study to calculate overall MBE availability as a dollar-weighted average of detailed industry level MBE availability.

Detailed industry affiliation is determined by the consultant assigning a four-, five-, and/or six-digit NAICS code, as appropriate, to each establishment in the project database.[14] For firms whose work qualifies under more than one NAICS code, the assignment is made based on the firm's primary code unless there is enough information available to allocate the firm's work by dollars across multiple industries.[15]

The use of NAICS codes is recommended even if public agencies use systems other than NAICS (such as Construction Specification Institute codes, National Institute of Government Purchasing codes, or other internal work code systems) to classify contract and subcontract work. This is because the data necessary to implement industry-level availability estimates are classified according to NAICS (*i.e.*, Dun & Bradstreet data).

C. Estimation of MBE Availability

MBE availability is a statistic expressing the percentage of businesses in a relevant geographic and product market that are owned by minorities.

To estimate availability, I use a "custom census" designed to provide an accurate calculation of the current availability of MBEs in the relevant market.[16] Other consultants have employed different methods for measuring availability, including the use of vendor lists, bidder lists, and other types of Census data. A variety of approaches to measuring availability are reflected in the disparity studies identified in Table 1.

The custom census approach employs a seven-step analysis that: (1) creates a database of representative public contracts, (2) identifies the appropriate geographic market for the entity's contracting activity, (3) identifies the appropriate product market for the entity's contracting activity, (4) counts all businesses in those relevant markets, (5) identifies listed minority-owned businesses in the relevant markets, (6) verifies the ownership status of listed minority-owned businesses, and (7) verifies the ownership status of all other businesses. This method results in an overall MBE availability number that is a dollar-weighted average of all of the underlying industry availability numbers, with larger weights applied to industries with relatively more spending and lower weights applied to industries with relatively less spending. The availability figure can also be sub-divided by race, ethnicity, and gender group, where required.[17]

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[14] NAICS stands for North American Industry Classification System and has been the standard system of industrial classification for the United States since it replaced the Standard Industrial Classification (SIC) system in 1997.

[15] If the client's contract data contain enough descriptive information about the nature of the work being performed, then this may be possible. Otherwise, the allocation among codes is arbitrary.

[16] *See, e.g., Northern Contracting, Inc. v. Illinois Department of Transportation*, 473 F.3d 715, 723 (7th Cir. 2007) ("*Northern Contracting III*"); *Sherbrooke*, 345 F.3d at 973; and *Concrete Works of Colorado, Inc. v. City and County of Denver*, 321 F.3d 950, 966 (10th Cir. 2003), *cert. denied*, 540 U.S. 1027 (2003) (*Concrete Works IV*) (custom census was "more sophisticated" than earlier studies using Census data and bidders lists).

[17] *See* Wainwright and Holt (2010, 33-44) for an extended discussion of the custom census approach.

In addition to the custom census, another relatively common approach is to use internal agency lists of contractors and subcontractors, such as certified MBE directories, bidders lists, prequalified contractor lists, licensed contractor lists, planholder lists, or lists of winning bidders or sub-bidders. Internal lists are sometimes supplemented with lists gathered from other sources. I refer to this as the "bidders list approach."

A variation on the bidders list approach is also sometimes used. I refer to this approach as the "bidders list approach with adjustments." This method seeks to test whether firms with lower revenues won fewer contracts and subcontracts while firms with higher revenues won more. This method is implemented by surveying an agency's bidders in order to collect data on revenues and then comparing that data to existing data on contract and subcontract awards and eliminating from the availability count the firms that have not previously won awards at or above certain dollar thresholds.

It is worth noting that the studies employing this type of "capacity" adjustment have not found a statistically significant relationship between revenues and contract awards.[18] In part, the data did not fit because firms of given revenue sizes won a variety of contracts and subcontracts both large and small.[19] Despite finding little or no empirical support for the hypothesized relationship between revenue size and propensity to win contract and subcontract awards, some of the consultants employing this approach eliminate firms from their availability calculations if they had revenue levels lower than those of survey respondents that had actually won agency contracts or subcontracts. In my view, this results in an unjustified downward adjustment in these studies' availability estimates.

Another method of estimating availability I refer to as the "custom census approach with adjustments." As with the "bidders list with adjustments" approach, the "custom census with adjustments" approach is biased downward. It reduces the availability percentage by controlling for factors that are likely to be directly affected by the presence of discrimination in the relevant markets. My view is that whether firms have worked or attempted to work on agency projects, whether firms have been awarded prime contracts or subcontracts, or the size of those contracts should not be used to limit the MBE availability measure. Not only is this a problem in its own right, but also it may hide the existence of discrimination because a downward bias in availability can lead to a conclusion of no significant disparity when, in fact, a disparity exists. Firm revenues, employment size, or other metrics, can be influenced by the presence of

[18] *See, e.g.*, the 2001 study by MGT of America, Inc. for the Colorado Department of Transportation, ROTHE019855, at 2-12 through 2-16, and the 2004 study by MGT for the North Carolina Department of Transportation, ROTHE034043, at 4-96. Moreover, none of these studies describes why a firm's revenue is appropriately construed as a race--neutral explanatory variable. The difficulties involved in using variables such as revenue, which can be impacted by discrimination, to explain success or failure in the award of contracts or subcontracts is discussed in more detail below in Section III.C.2, "Effects of Discrimination on Entrepreneurial Success."

[19] *See Concrete Works IV*, 321 F.3d at 981 ("At trial, Denver introduced evidence that the median number of employees of all construction firms in the Denver MSA is three and presented testimony that even firms with few permanent employees can perform large, public contracts by hiring additional employees or subcontractors and renting equipment. Additionally, the district court found that 'most firms have few full-time permanent employees and must grow or shrink their performance capacity according to the volume of business they are doing'").

discrimination in the relevant markets, and cause availability or disparity statistics to mask the continuing effects of discrimination.

D. Estimation of Agency MBE Utilization

MBE utilization is a statistic showing the fraction of public contracting and procurement dollars in a particular market that are spent with MBEs.

The project database assembled for a disparity study will typically detail several years of recent contract and subcontract activity for both MBEs and non-MBEs. Utilization statistics—that is, the percentage of contract dollars spent with MBEs—can be calculated along a variety of dimensions, including by race and ethnicity, by time period, and by major procurement category.

Many studies conduct separate utilization analyses for prime contracts versus subcontracts, as well as for both types of contracting combined, which often provides the fullest picture of MBE participation relative to an agency's spending. If the project database has been coded by NAICS, utilization statistics can also be produced for detailed industry categories. In a typical study, utilization statistics are then combined with availability measures to determine disparity indexes or ratios.

E. Estimation of Agency Disparities Between MBE Utilization and Availability

A disparity analysis of public spending is simply a comparison of MBE utilization to MBE availability in various categories of contracting relevant to a given agency. The preceding discussions of market definition, availability measurement, and utilization statistics are therefore all relevant to the concept of a disparity analysis. Testing the results for substantive significance and statistical significance, respectively, helps to determine if the observed disparities are large and whether they could have arisen due to random chance alone.

In and of itself, conducting a disparity analysis on contracts that have been subject to race-conscious contracting requirements may not reveal much about the impact of discrimination, since the intent of such remedial efforts is to reduce or eliminate disparities. If the analytical focus is strictly on contracts that were subject to such requirements, then cases where disparities are absent (*i.e.*, where MBE participation is found to meet or exceeded estimates of MBE availability) may mislead policy makers or courts to conclude that discrimination is also absent, when in fact they may simply reflect the impact of the public agency's successful remedial efforts.

Several courts have recognized this paradox. For example, the plaintiffs in *Concrete Works* argued that "overutilization" on projects subject to race-conscious contracting requirements indicated an absence of discrimination. The Tenth Circuit rejected this argument, concluding that the more pertinent inquiry should focus on MBE participation where race-conscious goals were absent.[20] Ideally, therefore, part of the disparity analysis should focus on activities that were

[20] *Concrete Works IV*, 321 F.3d at 984-88; *see also Western States*, 407 F.3d at 992; *Northern Contracting, Inc. v. Illinois Department of Transportation*, 2005 U.S. Dist. LEXIS 19868, *37-38 (Sept. 8, 2005) ("*Northern*

generally *not* subject to race-conscious contracting requirements. This might include the agency's own prime contract activity, its contracts without MBE subcontracting goals, outcomes from public agencies in similar markets without such requirements, or MBE activity in the private sector of the surrounding economy where such requirements are largely absent. When the outcomes from activities that were subject to race-conscious requirements can be contrasted with those from activities that were not, either at the contract-level, agency-level, or economy-wide, it is easier to determine if the results are consistent with the presence of business discrimination.

F. Determination of Economy-Wide Disparity Analyses for the Relevant Markets

Since measuring disparities in the presence of race-conscious requirements can obscure the presence of discrimination, some disparity studies include a variety of statistical analyses that assess how minorities fare in other aspects of business enterprise activity in order to determine if an agency is passively participating in an industry sector impacted by discrimination. By "passive participation" I mean that, if the larger market within which a public agency does business is infected with discrimination, by continuing to hire and pay firms from that larger market without taking any remedial action, the agency may thereby reinforce the effects of any existing discrimination.

Evidence of economy-wide discrimination in disparity studies can take several forms. For example:

- Regression analyses comparing business formation rates between minorities and similarly situated non-minority males in the relevant markets, using the Census Bureau's *Public Use Microdata Sample* from the decennial census (PUMS) and its *Public Use Microdata Sample* from the *American Community Survey* (ACS PUMS).

- Regression analyses comparing the earnings of minority business owners to those of similarly situated non-minority male business owners in the relevant markets, using the PUMS or ACS PUMS.

- Regression analyses comparing denial rates on commercial loans between minority and similarly-situated non-minority male business owners, using data from the *Survey of Small Business Finances* produced by the Federal Reserve Board and the Small Business Administration.

- Disparity indexes comparing market share of revenues to market share of business population between minority and non-minority businesses, using data from the Census Bureau's *Survey of Business Owners* (SBO).

Contracting II"); and *Hershell Gill Consulting Engineers, Inc. v. Miami-Dade County, Florida*, 333 F.Supp.2d 1305, 1318 (S.D. Fla. 2004) ("[The court] will keep the potential effect of the MWBE programs in mind when analyzing the evidence presented by the County").

G. Collection of Anecdotal Evidence

Anecdotal evidence consists of personal accounts from business owners, MBE and non-MBE alike, concerning the barriers, challenges, and successes they experience in the market place.

Anecdotal evidence is an important part of a disparity study to augment statistical analyses. Anecdotal evidence can be collected in a variety of formats including mail surveys, individual interviews, group interviews or focus groups, and public hearings. All of these approaches can and have produced qualitative evidence of barriers to full and fair participation by MBEs in the public contracting process. Some disparity studies often employ multiple approaches to gathering this type of evidence, *e.g.,* mail surveys and focus groups or personal interviews.

Studies typically gather evidence from MBEs as well as non-MBEs and try to explore the extent to which barriers reported by anecdotal sources are the result of discrimination rather than the usual challenges facing all businesses related to developing markets, finding suppliers, managing cash flow, *etc.* Special emphasis is often placed on the experiences of MBEs that desire to obtain prime contracts and subcontracts as a measure of continuing barriers to full participation in the market. Studies typically strive to have a wide enough variety of interviewees, survey participants, *etc.*, to ensure participation from MBEs and non-MBE and from major procurement categories.

III. Studies Conducted Since 2000 Show Large Disparities Against Minority-Owned Businesses

A. Studies Conducted Since 2000 Have Broad Coverage by Government Type, Industry, and Geography

Since the U.S. Supreme Court decision in *City of Richmond v. J.A. Croson Co.,*[21] the disparities facing minority business owners in the United States have been documented in more than 300 studies and related research reports.[22] Since 2000 alone, more than 100 such studies have been conducted, most of which have already been submitted to Congress.[23]

Additionally, there is a large amount of evidentiary material concerning minority business enterprise discrimination developed prior to 2000 that exists in the Congressional record. The Tenth Circuit Court of Appeals in its 2000 decision in *Adarand Constructors v. Slater* provided a useful summary of this evidence.[24]

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[21] 488 U.S. 469 (1989).

[22] Wainwright and Holt (2010, 12, n. 41).

[23] *See* United States Small Business Administration (2010). *See also Kevcon, Inc. v. The United States*, Defendant's Expert Report, Bates ROTHE041702-041794.

[24] *Adarand Constructors, Inc. v. Slater*, 228 F.3d 1147, 1167-1175 (10th Cir. 2000) ("*Adarand VII*") (discussing evidence before Congress of discrimination against minorities in the construction industry in enacting the Disadvantaged Business Enterprise Program for federal-aid transportation contracts, Publ. No. 100-17, 101 Stat. 132 (1987), Publ. No. 102-240, 105 Stat. 1914 (1991) and Publ. No. 105-178, 112 Stat. 107 (1998), and the

Table 1, below, documents 107 recent studies of minority business enterprise, examining procurement for 142 different public entities and/or funding sources. These studies span 35 different states that collectively include over 89 percent of the general population of the U.S.[25] All but 32 of these studies have been submitted to Congress. Those that have not are marked with an asterisk (*). Of the 107 studies in Table 1, 21 were conducted under my direction and supervision. Over the course of these studies, I have personally examined and analyzed tens of billions of dollars worth of public sector spending across tens of thousands of contracts and subcontracts. The balance of the studies in Table 1 represents an even larger number of contracts and public procurement dollars.

implementing regulations at 49 C.F.R. 26 (1999)); *see also* "The Appendix – The Compelling Interest for Affirmative Action in Federal Procurement," 61. Fed. Reg. 26050-26052 and nn. 12-21 (1996); *see also* Enchautegui, et al. (1997).

[25] U.S. Census Bureau (2011d).

Table 1. Selected Disparity and Availability Studies Performed in the United States Since 2000.

State	Subdivision	Authors	Type of Study	Year Completed	Bates Start	Bates End
AL	City of Birmingham	Pendleton, Friedberg, Wilson & Hennessey, P.C.	Disparity	2007	018000	018444
AK	Department of Transportation and Public Facilities	D. Wilson Consulting Group, LLC	Disparity	2007	013677	013910
AZ	Arizona Department of Transportation	MGT of America, Inc.	Disparity	2009	027877	028316
AZ	City of Phoenix	MGT of America, Inc.	Disparity	2005	018445	018755
AZ	City of Tucson	D. Wilson Consulting Group, LLC	Disparity	2008	028317	028628
AZ	Pima County	D. Wilson Consulting Group, LLC	Disparity	2008	028629	028801
CA	Alameda County	Mason Tillman Associates, Ltd.	Disparity	2004	018779	019147
CA	Bay Area Rapid Transit (BART)	Mason Tillman Associates, Ltd.	Disparity	2009	028802	029117
CA	California Department of Transportation	BBC Research & Consulting	Disparity	2007	019148	019686
CA*	City of Oakland and Oakland Redevelopment Agency	Mason Tillman Associates, Ltd.	Disparity	2007	073295	073536
CA	Los Angeles County Metropolitan Transportation Authority	BBC Research & Consulting	Disparity	2010	058434	059204
CA	Metrolink - Southern California Regional Rail Authority	BBC Research & Consulting	Disparity	2009	052079	052834
CA	Orange County Transportation Authority	BBC Research & Consulting	Disparity	2010	053592	054352
CA	San Diego Association of Governments	BBC Research & Consulting	Disparity	2010	054353	055102
CA	San Diego Metropolitan Transit System	BBC Research & Consulting	Disparity	2010	052835	053591
CA	San Mateo County Transit District	CRA International	Disparity	2008	019698	019884
CO	City and County of Denver, Denver International Airport	NERA	Disparity	2006	011083	011351
CO	Colorado Department of Transportation	MGT of America, Inc.	Disparity	2001	019885	019942
CO	Colorado Department of Transportation	D. Wilson Consulting Group, LLC	Disparity	2009	029325	029557
CT*	Metropolitan District Commission	M3C	Disparity	2009	056184	056551

State	Subdivision	Authors	Type of Study	Year Completed	Bates Start	Bates End
FL	Broward County	MGT of America, Inc.	Disparity	2001	011675	012038
FL	Broward County	NERA	Disparity	2010	066606	067020
FL*	City of Tallahassee	MGT of America, Inc.	Disparity	2004	064182	064468
FL	City of Tampa and Hillsborough County Aviation Authority	Mason Tillman Associates, Ltd.	Disparity	2006	020307	020590
FL*	Leon County	MGT of America, Inc.	Disparity	2009	071721	071935
FL*	School District of Hillsborough County	Mason Tillman Associates, Ltd.	Disparity	2007	061067	061236
GA	City of Albany; Dougherty County; Dougherty County School System; Albany Water, Gas & Light Commission	BBC Research & Consulting	Disparity	2008	020591	020929
GA	City of Atlanta	Griffin & Strong	Disparity	2006	072660	072816
GA	Consolidated Government of Augusta-Richmond County	NERA	Disparity	2009	029715	030037
GA	Georgia Department of Transportation	Boston Research Group, Inc.	Disparity	2005	072369	072659
GA*	Georgia Department of Transportation	BBC Research & Consulting	Disparity	2012	056552	057068
HI	Hawai'i Department of Transportation	NERA	Disparity	2010	066171	066605
ID	Idaho Transportation Department	BBC Research & Consulting	Disparity	2007	013927	014442
IL*	Illinois Department of Transportation	Mason Tillman Associates, Ltd.	Disparity	2011	051365	051733
IL	Illinois State Toll Highway Authority	NERA	Disparity	2006	061237	061365
IN	Indiana Department of Administration, Indiana DOT, Ball State Univ., Indiana State Univ., Indiana Univ., Ivy Tech Comm. College, Purdue Univ., Univ. of Southern Indiana, Vincennes Univ.	BBC Research & Consulting	Disparity	2010	069405	070504
IA	City of Davenport	Mason Tillman Associates, Ltd.	Disparity	2009	021048	021290
KS; MO*	City of Kansas City; Kansas City School District, MO; Wyandotte County, KS; Kansas City Area Transit Authority	Mason Tillman Associates, Ltd.	Disparity	2006	063175	063470
KY	State of Kentucky	Griffin & Strong	Disparity	2000	030803	030998
MD*	City of Baltimore	MGT of America, Inc.	Disparity	2000	062068	062372
MD	City of Baltimore	NERA	Disparity	2007	031316	031663
MD	State of Maryland	NERA	Disparity	2006	062373	062695

State	Subdivision	Authors	Type of Study	Year Completed	Bates Start	Bates End
MD	State of Maryland	NERA	Disparity	2011	068503	069107
MD	Washington Suburban Sanitary Commission	BBC Research & Consulting	Disparity	2005	038852	039049
MD	Washington Suburban Sanitary Commission	Mason Tillman Associates, Ltd.	Disparity	2011	058034	058433
MA*	City of Boston	Mason Tillman Associates, Ltd.	Disparity	2003	061366	061501
MA*	Division of Capital Asset Management	NERA	Disparity	2006	061502	061782
MA	Massachusetts Housing Finance Agency	NERA	Disparity	2006	061783	062067
MN	City of Minneapolis	NERA	Disparity	2010	069108	069404
MN	City of St. Paul and the St. Paul Housing Authority	MGT of America, Inc.	Disparity	2008	021968	022705
MN*	Metropolitan Airports Commission	MGT of America, Inc.	Disparity	2009	050765	051017
MN*	Metropolitan Council	MGT of America, Inc.	Disparity	2009	050232	050480
MN*	Metropolitan Mosquito Control District	MGT of America, Inc.	Disparity	2009	073900	074139
MN*	Metropolitan Sports Facilities Commission	MGT of America, Inc.	Disparity	2009	074140	074378
MN*	Minnesota Department of Administration	MGT of America, Inc.	Disparity	2009	050481	050764
MN	Minnesota Department of Transportation	NERA	Availability	2005	014443	014554
MN*	Minnesota Department of Transportation	MGT of America, Inc.	Disparity	2009	050000	050231
MO	Bi-State Development Agency (St. Louis Metro)	NERA	Disparity	2005	031949	032139
MO*	City of St. Louis, The St. Louis Housing Authority, The Metropolitan St. Louis Sewer District	MGT of America, Inc.	Disparity	2001	062696	063174
MO*	Missouri Department of Transportation	NERA	Disparity	2012	071946	072345
MT	Montana Department of Transportation	D. Wilson Consulting Group, LLC	Disparity	2009	032140	032427
NV	Nevada Department of Transportation	BBC Research & Consulting	Disparity	2007	014635	015042

State	Subdivision	Authors	Type of Study	Year Completed	Bates Start	Bates End
NJ	State of New Jersey	Mason Tillman Associates, Ltd.	Disparity	2005	032428	032815
NJ	State of New Jersey	Mason Tillman Associates, Ltd.	Disparity	2006	032816	033005
NY	City of New York	Mason Tillman Associates, Ltd.	Disparity	2005	015043	015336
NY	State of New York	NERA	Disparity	2010	068035	068502
NC*	City of Charlotte	MGT of America, Inc.	Disparity	2003	074898	075246
NC	City of Charlotte	MGT of America, Inc.	Disparity	2011	071250	071720
NC*	City of Durham and Durham County	Mason Tillman Associates, Ltd.	Disparity	2000	063471	063626
NC	Durham County	Griffin & Strong	Disparity	2007	063627	063797
NC	North Carolina Department of Transportation	MGT of America, Inc.	Disparity	2004	034043	034464
NC	North Carolina Department of Transportation	EuQuant	Disparity	2009	023010	023033
OH*	City of Cincinnati	Griffin & Strong	Disparity	2002	063798	063906
OH*	City of Cleveland and Greater Cleveland RTA	Mason Tillman Associates, Ltd.	Disparity	2003	074379	074897
OH	City of Dayton	MGT of America, Inc.	Disparity	2008	015337	015743
OH	Northeast Ohio Regional Sewer District	NERA	Disparity	2010	067021	067391
OK	City of Tulsa	MGT of America, Inc.	Disparity	2010	067652	068034
OK	Oklahoma Department of Transportation	BBC Research & Consulting	Disparity	2010	055103	055888
OR*	City of Portland	BBC Research & Consulting	Disparity	2011	057261	058033
OR*	Oregon Department of Transportation	MGT of America, Inc.	Disparity	2007	015744	016158
OR*	Oregon Department of Transportation	MGT of America, Inc.	Disparity	2011	073537	073899
OR*	Port of Portland	MGT of America, Inc.	Disparity	2009	067392	067651
OR*	Portland Development Commission	BBC Research & Consulting	Disparity	2011	070505	071249
PA	State of Pennsylvania	Mason Tillman Associates, Ltd.	Disparity	2007	034582	035045
SC	City of Columbia	MGT of America, Inc.	Disparity	2006	035151	035988
TN	City of Memphis	Griffin & Strong	Disparity	2010	063907	064181
TN	Consolidated Government of Nashville and Davidson County	Griffin & Strong	Disparity	2004	035989	036205

State	Subdivision	Authors	Type of Study	Year Completed	Bates Start	Bates End
TN	Memphis International Airport	NERA	Disparity	2008	036251	036583
TN	Nashville International Airport	Griffin & Strong	Disparity	2007	010860	011082
TN	Tennessee Department of Transportation	Mason Tillman Associates, Ltd.	Disparity	2007	036600	036779
TX	City of Austin	NERA	Disparity	2008	017080	017374
TX	City of Dallas	Mason Tillman Associates, Ltd.	Disparity	2002	037008	037259
TX*	City of Fort Worth; City of Arlington; DFW Airport; Fort Worth Independent School District; Fort Worth Transportation Authority; North Texas Tollway Authority	Mason Tillman Associates, Ltd.	Disparity	2010	064469	065241
TX	City of Houston	Mason Tillman Associates, Ltd.	Disparity	2006	036780	036963
TX*	City of Houston	NERA	Disparity	2012	055889	056183
TX	City of San Antonio, Alamo Regional Mobility Authority, Brooks Development Authority, CPS Energy, Edwards Aquifer Authority, Port Authority of San Antonio, San Antonio Housing Authority, San Antonio Water System, University Health System	MGT of America, Inc.	Disparity	2009	023544	024210
TX*	Dallas Area Rapid Transit Authority (DART)	Mason Tillman Associates, Ltd.	Disparity	2003	065438	065666
TX*	San Antonio Water System	MGT of America, Inc.	Disparity	2009	023544	024210
TX	State of Texas	MGT of America, Inc.	Disparity	2010	037260	037988
TX*	State of Texas	Mason Tillman Associates, Ltd.	Disparity	2007	065667	066082
UT	Salt Lake City International Airport	NERA	Disparity	2009	037989	038365
VA	Commonwealth of Virginia	MGT of America, Inc.	Disparity	2004	038366	038851
VA	Commonwealth of Virginia	MGT of America, Inc.	Disparity	2010	060413	060666
VA*	Virginia DOT	MGT of America, Inc.	Disparity	2004	066083	066170
WA	Washington Department of Transportation	NERA	Availability	2005	016159	016269
WI	City of Milwaukee	Mason Tillman Associates, Ltd.	Disparity	2007	039050	039255

State	Subdivision	Authors	Type of Study	Year Completed	Bates Start	Bates End
WI	City of Milwaukee	D. Wilson Consulting Group, LLC	Disparity	2010	057069	057260

NOTE: Except for those 32 marked with an asterisk (*), all of the studies in Table 1 have been submitted to Congress.

All of the disparity studies in Table 1 examine minority-owned business enterprises. Typically, MBEs include businesses owned by Blacks, Hispanics, Asians and Pacific Islanders, and Native Americans. "African American" or "Black" refers to persons having origins in any of the Black racial groups of Africa; "Hispanic" or "Latino" refers to persons of Mexican, Puerto Rican, Cuban, Dominican, Central or South American, or other Spanish or Portuguese culture or origin, regardless of race; "Asian" or "Asian and Pacific Islander" refers to persons whose origins are from Japan, China, Taiwan, Korea, Burma (Myanmar), Vietnam, Laos, Cambodia (Kampuchea), Thailand, Malaysia, Indonesia, the Philippines, Brunei, Samoa, Guam, the U.S. Trust Territories of the Pacific Islands (Republic of Palau), the Commonwealth of the Northern Marianas Islands, Macao, Fiji, Tonga, Kiribati, Juvalu, Nauru, Federated States of Micronesia, Hong Kong, India, Pakistan, Bangladesh, Bhutan, the Maldives Islands, Nepal or Sri Lanka; "Native American" or "American Indian or Alaska Native" refers to persons who are American Indians, Eskimos, Aleuts, or Native Hawaiians.[26] "White" or "non-minority" means person who are not Hispanic or Latino having origins in Europe, North Africa, or the Middle East.[27]

A wide variety of government types are represented as well in these disparity studies. Some encompass the entire state (*i.e.*, Indiana, Kentucky, Maryland, Minnesota, New Jersey, New York, Pennsylvania, Texas, and Virginia), others are for single state agencies (*i.e.*, Department of Transportation studies in Alaska, Arizona, California, Colorado, Georgia, Hawaii, Idaho, Illinois, Maryland, Minnesota, Missouri, Montana, Nevada, North Carolina, Oklahoma, Oregon, Tennessee, Texas, Virginia, and Washington, and the Division of Capital Asset Management and the Housing Finance Agency in Massachusetts), others are for cities (*i.e.*, Atlanta, Albany, Arlington, Augusta, Austin, Baltimore, Birmingham, Boston, Charlotte, Cincinnati, Cleveland, Columbia, Dallas, Davenport, Dayton, Denver, Durham, Fort Worth, Houston, Kansas City, Memphis, Milwaukee, Minneapolis, Nashville, New York, Oakland, Phoenix, Portland, San Antonio, St. Louis, St. Paul, Tallahassee, Tampa, Tucson, and Tulsa), others cover counties (*i.e.*, Alameda, CA; Broward, FL; Cuyahoga, OH; Davidson, TN; Dougherty, GA; Durham, NC; Leon, FL; Pima, AZ; Richmond, GA; Wyandotte, KS), and still more a variety of special districts including transit agencies, airports, school districts, public utilities, and housing authorities.

All of the 107 studies identified in Table 1 include contracts and procurements for public works in construction, an important focus of the SBA 8(a) Program.[28] Contracts in the construction-related professional services sector (CPS), which includes the plaintiff's line of work in equipment testing and calibration,[29] are included in 86 of the studies. Table 2 shows the types of construction and CPS industries that have been covered by these disparity studies.

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[26] *See* 49 C.F.R. §26.5. Native Hawaiians are classified as Native American by the U.S. Department of Transportation for purposes of the Disadvantaged Business Enterprise (DBE) Program. However, they are included in the Asian and Pacific Islander category by most other agencies, including the Census Bureau (*see* fn. 27).

[27] Federal Register, Vol. 62, No. 210, pp. 57872-58790 (October 30, 1997), at 58789.

[28] Construction prime contractors and subcontractors also purchase a variety of supplies and materials (*e.g.*, steel, concrete, asphalt), as well as trucking services.

[29] See http://www.rothe.com/er_service.htm.

Table 2. Specific Industry Activities Included in Construction and Construction-Related Professional Services (CPS)

NAICS	Industry Description
23	**Construction**
2361	**Residential Building Construction**
236115	New Single-Family Housing Construction
236116	New Multifamily Housing Construction
236118	Residential Remodelers
2362	**Nonresidential Building Construction**
23621	Industrial Building Construction
23622	Commercial and Institutional Building Construction
237	**Heavy and Civil Engineering Construction**
2371	Utility System Construction
23711	Water and Sewer Line and Related Structures Construction
23713	Power and Communication Line and Related Structures Construction
2373	Highway, Street, and Bridge Construction
2379	Other Heavy and Civil Engineering Construction
238	**Specialty Trade Contractors**
2381	**Foundation, Structure, and Building Exterior Contractors**
23811	Poured Concrete Foundation and Structure Contractors
23812	Structural Steel and Precast Concrete Contractors
23813	Framing Contractors
23814	Masonry Contractors
23815	Glass and Glazing Contractors
23816	Roofing Contractors
23817	Siding Contractors
23819	Other Foundation, Structure, and Building Exterior Contractors
2382	**Building Equipment Contractors**
23821	Electrical Contractors and Other Wiring Installation Contractors
23822	Plumbing, Heating, and Air-Conditioning Contractors
23829	Other Building Equipment Contractors
2383	**Building Finishing Contractors**
23831	Drywall and Insulation Contractors
23832	Painting and Wall Covering Contractors
23833	Flooring Contractors
23834	Tile and Terrazzo Contractors
23835	Finish Carpentry Contractors
23839	Other Building Finishing Contractors
2389	**Other Specialty Trade Contractors**
23891	Site Preparation Contractors
23899	All Other Specialty Trade Contractors
5413	**Architectural, Engineering, and Other Construction Related Services**
54131	Architectural Services
54132	Landscape Architectural Services
54133	Engineering Services
54134	Drafting Services
54135	Building Inspection Services
54136	Geophysical Surveying and Mapping Services
54137	Surveying and Mapping (except Geophysical) Services
54138	Testing Laboratories (including Equipment Calibration and Testing)

Additionally, many of the disparity studies in Table 1 encompass public contracting and purchasing activities in sectors other than construction and CPS, reflecting the fact that government agencies, and their prime contractors and vendors, purchase goods and services from practically every major industry sector, including agriculture, mining, utilities, transportation, wholesale trade, retail trade, finance and insurance, real estate, professional and technical services, administrative and support services, waste management services, educational services, health care and social assistance services, food services, and others. NERA's 2011 disparity study for the State of Maryland, for example, included 530 distinct industries.[30]

Of the 107 studies identified in Table 1, 63 include contracts and procurements for Other Professional Services (OPS), which includes the plaintiff's lines of work in Information Technology and facilities support services. Table 3 shows the industries involved in the plaintiff's other lines of work.

Table 3. Specific Industry Activities for Plaintiff[31]

NAICS	Industry Description
5413	**Architectural, Engineering, and Other Construction Related Services**
54138	Testing Laboratories (including Equipment Calibration and Testing)
5415	**Computer Systems Design and Related Services**
541511	Custom Computer Programming Services
541512	Computer Systems Design Services
541513	Computer Facilities Management Services
541519	Other Computer Related Services
5612	**Facilities Support Services**
561210	Facilities Support Services

In addition to covering construction, CPS, OPS, and other industries, the 107 studies in Table 1 span the country geographically. The Census Bureau divides the country into four regions and nine divisions. The four regions are: Northeast, Midwest, South, and West, and the nine divisions are New England, Middle Atlantic, East North Central, West North Central, South Atlantic, East South Central, West South Central, Mountain, and Pacific. As shown in Table 4, these studies and the evidence within them represent all four Census Regions and all nine Census Divisions.

[30] *See* ROTHE068503 at p. 59. However, public sector spending is not typically distributed evenly among industries. In the State of Maryland's case, 134 industries (25 percent) accounted for 95 percent of all spending over the study period.

[31] See Affidavit of Dale Patenaude, p. 3.

Table 4. Regions, Divisions, and States Represented by Disparity Studies in Table 1.

Geographic Location	Studies	Geographic Location	Studies
I. Northeast Region		**III. South Region, cont'd**	
A. New England Division		*A. South Atlantic Division, cont'd*	
1. Connecticut	X*	6. North Carolina	X
2. Maine		7. South Carolina	X
3. Massachusetts	X	8. Virginia	X
4. New Hampshire		9. West Virginia	
5. Rhode Island		*B. East South Central Division*	
6. Vermont		1. Alabama	X
B. Middle Atlantic Division		2. Kentucky	X
1. New Jersey	X	3. Mississippi	
2. New York	X	4. Tennessee	X
3. Pennsylvania	X	*C. West South Central Division*	
II. Midwest Region		1. Arkansas	
A. East North Central Division		2. Louisiana	
1. Illinois	X	3. Texas	X
2. Indiana	X	4. Oklahoma	X
3. Michigan		**IV. West Region**	
4. Ohio	X	*A. Mountain Division*	
5. Wisconsin	X	1. Arizona	X
B. West North Central Division		2. Colorado	X
1. Iowa	X	3. Idaho	X
2. Kansas	X	4. Montana	X
3. Minnesota	X	5. Nevada	X
4. Missouri	X	6. New Mexico	
5. Nebraska		7. Utah	X
6. North Dakota		8. Wyoming	
7. South Dakota		*B. Pacific Division*	
III. South Region		1. Alaska	X
A. South Atlantic Division		2. California	X
1. Delaware		3. Hawaii	X
2. District of Columbia		4. Oregon	X
3. Florida	X	5. Washington	X
4. Georgia	X		
5. Maryland	X		

Note: An asterisk (*) indicates that the study from this state is included in my report but not yet submitted to Congress.

B. There is Strong Evidence of Business Disparities in Recent Disparity Studies

In preparing this report, I reviewed all of the studies identified in Table 1. Typically, these studies include an Executive Summary, a review of existing case law pertaining to MBEs, a review of the government agency's purchasing and contracting policies as they pertain to MBEs, a chapter that estimates the availability of MBEs, a chapter that estimates the utilization of MBEs, a chapter that compares availability and utilization to assess disparities in public contracts, and a chapter detailing anecdotal evidence. Many of these disparity studies also include one or more chapters detailing evidence of disparities and discrimination in the wider

market area, referred to as "economy-wide" or "private-sector" analyses, from the market area within which the government agency under study operates.

The studies listed in Table 1 were prepared by different consultants, for different government entities, in different areas of the country, with differing levels of resources. They examine different periods of time and use a variety of methods for assessing utilization, availability, and disparity, and for gathering anecdotal information.[32] Nevertheless, broad similarities in the findings of these studies emerge despite their differences. Foremost among these is the widespread finding of substantial underutilization of MBEs throughout the United States, in the construction sector, the CPS sector, the OPS sector, and in other industries.

To begin to see this, Table 5 presents some of the specific statistical findings from the studies listed in Table 1. As discussed in the previous section, one function of a disparity study is to gather information on a government agency's prime contracting and subcontracting activity during the time period under study. Since the focus of the SBA 8(a) program is on prime contracting, I have focused my review of the studies in Table 1 on this area of government spending.[33] When I refer to MBE utilization or spending below, I am referring to spending with MBEs as prime contractors or vendors. I do not include spending with MBEs as subcontractors, sub-consultants, or suppliers.[34]

I reviewed each study's findings concerning:

- the percentage utilization of MBEs in construction spending,
- the percentage availability of MBEs for construction spending,
- the percentage utilization of MBEs in CPS spending,
- the percentage availability of MBEs for CPS spending,
- the percentage utilization of MBEs in OPS spending, and

[32] A detailed discussion of the differences in methods employed by different consultants is provided in Wainwright and Holt (2010), pp. 29-53.

[33] Depending on how any given study's statistics were presented, I had to carry out certain additional calculations in order to present the information in Table 5 consistently. For example, a study might show the total number of prime contract dollars accruing to MBEs in a given procurement category in one table, and the total number of overall dollars in that category in another table. Calculating MBE prime contract utilization, therefore required dividing the figure in the first table by the figure in the second table. These figures, in turn, might then be combined with relevant availability figures from one or more other tables to form the resulting disparity index. The final column in Table 5 identifies the specific pages referred to within each study.

[34] Participants in the Section 8(a) program can receive sole-source contracts, up to an annual ceiling of $4 million for goods and services and $6.5 million for manufacturing. The disparity studies examined for this report included a wide range of contract sizes. For the 21 NERA studies in Table 1, for example, the median size in construction was $2.2m. For CPS, the median was $1.1m, and for contracts in the same lines of work as the plaintiff (information technology services and facilities management services), the median was $300,000.

- the percentage availability of MBEs for OPS spending.[35]

Altogether, 107 disparity studies from Table 1 appear in Table 5, 75 of which have been submitted to Congress.[36] Several appear more than once since they provided statistical evidence in more than one usable category. For example, the 2010 study by BBC Research & Consulting for the State of Indiana appears twice since it included usable statistics for more than one group of government agencies in Indiana that participated in that study; and the 2005 NERA study for the Minnesota DOT appears twice because it distinguished federally-funded contracts from state-funded contracts.[37]

Columns (1) and (2) in Table 5 identify the state and political subdivision(s) for which each disparity study was performed. Column (12) indicates the time period examined in the study. Column (13) indicates the starting Bates number (preceded by "ROTHE") and column (14) indicates the document-specific page range where I found the statistical data cited in columns (3) through (11).

The utilization statistics for construction, CPS, and OPS appear in columns (3), (6), and (9), respectively. For the 2010 Commonwealth of Virginia study, for example, these utilization statistics indicate that MBE's earned 1.46 percent of Virginia's construction contracts dollars, 0.46 percent of its CPS contract dollars, and 2.22 percent of its OPS dollars during the 2006-2009 study period.

The availability statistics for construction, CPS, and OPS appear in columns (4), (7), and (10), respectively. Continuing with Virginia as an example, these availability statistics indicate that MBE's made up 7.48 percent of Virginia's construction market, 9.95 percent of its CPS market, and 13.13 percent of its OPS market during the study period.

Finally, columns (5) for construction, column (8) for CPS, and column (11) for OPS show the resulting disparity index, which is formed by dividing the respective MBE utilization percentage by its associated MBE availability percentage, and multiplying the result by 100. A disparity index of 100 or more indicates that MBEs are being utilized at or above their estimated availability level. A disparity index of less than 100 indicates that MBEs are being utilized below their estimated availability level. A disparity index of 80 or lower is commonly taken as a strong indicator that discrimination is adversely affecting MBEs.[38]

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[35] For the 21 NERA studies identified in Table 1 and included in Table 5, the OPS utilization, availability, and disparity statistics, are restricted specifically to the plaintiff's lines of work in information technology services and facilities management services.

[36] As with Table 1, those studies in the record but not yet submitted to Congress are marked with an asterisk (*).

[37] The disparity studies examined included a wide range of prime contract sizes. For the 21 NERA studies in Table 1, for example, the median contract size in construction was $2.2m. For CPS, the median was $1.1m, and for contracts in the same lines of work as the plaintiff, the median was $300,000.

[38] Although not the same as statistical significance, the "four-fifths rule" says that a disparity index of less than or equal to 80 (on a scale of zero to 100, zero being perfect disparity and 100 being perfect parity), because it is large, or "substantively" significant, indicates the presence of discrimination. *See* 29 C.F.R. § 1607.4(d).

For example, in the Virginia study, when the construction utilization percentage of 1.46 is divided by the availability percentage of 7.48, the quotient is 0.1955. Multiplying this figure by 100, yields a disparity index of 19.55.[39] For CPS, the Virginia figures show that dividing the utilization percentage of 0.46 by the availability percentage of 9.95, and multiplying the result by 100 yields a disparity index of 4.66. Similarly for OPS, dividing the utilization percentage of 2.22 by the availability percentage of 13.13, and multiplying the result by 100 yields a disparity index of 16.88. If MBEs in Virginia's construction, CPS, or OPS markets were being utilized at rates comparable to their availability in the relevant business population, all three of these indexes would approach 100.

[39] Due to rounding, the disparity indexes shown in Table 5 may differ slightly from the quotient arrived at by dividing the availability figure into the utilization figure.

Table 5. MBE Utilization, Availability, and Disparity: Selected Studies Performed in the U.S. Since 2000.

State	Subdivision	U-CON	A-CON	D-CON	U-CPS	A-CPS	D-CPS	U-OPS	A-OPS	D-OPS	Years	Bates Start	Page Spec.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
AL	City of Birmingham	10.00	18.80	**53.19**	10.10	16.30	**61.96**	13.90	16.60	**83.73**	1990-2005	018000	186-188
AK	Department of Transportation and Public Facilities	2.63	12.50	**21.04**				15.82	26.09	**60.64**	2002-2006	013677	4-11, 5-10
AZ	Arizona Department of Transportation	0.00	6.14	**0.00**	5.12	14.32	**35.76**	4.60	6.02	**76.37**	2002-2007	027877	4-47
AZ	City of Phoenix	2.63	11.61	**22.62**							2000-2004	018445	4-17, 4-33
AZ	City of Tucson	7.99	0.80	998.53				11.27	6.96	161.92	2002-2006	028317	4-9, 5-10, 5-13
AZ	Pima County	2.18	1.14	191.75	12.37	10.64	116.25	9.51	0.95	1001.03	2002-2006	028629	4-9, 5-13, 5-16
CA	Alameda County	16.17	37.64	**42.97**	10.53	40.28	**26.14**	12.03	33.84	**35.54**	2000-2003	018779	7-4, 7-7, 7-10
CA	Bay Area Rapid Transit (BART)	10.77	27.96	**38.53**				7.75	15.63	**49.57**	2002-2007	028802	4-8, 4-16, 7-20, 7-22
CA	California Department of Transportation (Federal Funds)	2.33	8.20	**28.40**	3.55	16.90	**20.98**				2002-2006	019148	E-30, E-33
CA	California Department of Transportation (State Funds)	5.64	10.40	**54.26**	0.00	17.00	**0.00**				2002-2006	019148	E-71, E-73
CA*	City of Oakland And Oakland Redevelopment Agency	32.01	46.05	**69.52**	22.62	29.62	**76.38**	9.97	24.97	**39.91**	2002-2005	073295	4-6, 4-8, 4-10, 7-22, 7-24, 7-26
CA	Los Angeles County Metropolitan Transportation Authority (Federal Funds)	4.12	5.41	**76.04**	4.68	14.53	**32.24**	9.54			2003-2007	058434	E-14, E-15, E-23, E-24
CA	Los Angeles County Metropolitan Transportation Authority (Local Funds)	5.39	13.90	**38.77**	4.30	16.00	**26.89**	5.30			2003-2007	058434	E-16, E-25
CA	Metrolink - Southern California Regional Rail Authority (Federal Funds)	3.60	5.15	**69.78**	63.74	12.69	502.13	0.00			2003-2007	052079	E-14, E-15, E-23, E-24

State	Subdivision	U-CON	A-CON	D-CON	U-CPS	A-CPS	D-CPS	U-OPS	A-OPS	D-OPS	Years	Bates Start	Page Spec.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
CA	Metrolink - Southern California Regional Rail Authority (Local Funds)	0.09	19.30	**0.45**	2.13	22.90	**9.31**	7.08			2003-2007	052079	E-16, E-25
CA	Orange County Transportation Authority (Federal Funds)	10.33	10.50	***98.34***	12.26	16.87	**72.67**	0.00			2003-2007	053592	E-14, E-15, E-23, E-24
CA	Orange County Transportation Authority (Local Funds)	23.65	19.60	120.68	22.88	21.00	108.94	25.20			2003-2007	053592	E-16, E-25
CA	San Diego Association of Governments (Federal Funds)	6.30	13.85	**45.47**	24.15	11.69	206.52	68.19			2003-2007	054353	E-14, E-15, E-23, E-24
CA	San Diego Association of Governments (Local Funds)	0.00	18.80	**0.00**	16.37	16.20	101.04	28.30			2003-2007	054353	E-16, E-25
CA	San Diego Metropolitan Transit System (Federal Funds)	16.35	21.73	**75.27**	0.18	17.27	**1.04**	21.90			2003-2007	052835	E-14, E-15, E-23, E-24
CA	San Diego Metropolitan Transit System (Local Funds)	22.63	25.60	***88.41***	0.00	18.70	**0.00**	26.45			2003-2007	052835	E-16, E-25
CA	San Mateo County Transit District	0.70	15.60	**4.49**				2.90	16.40	**17.68**	2002	019698	38, 104
CO	City and County of Denver, Denver International Airport	1.53	9.12	**16.75**	4.38	4.72	***92.83***				2000-2005	011083	190, plus unpub data
CO	Colorado Department of Transportation	2.23	8.32	**26.80**	1.13	4.69	**24.09**				1996-2000	019885	3-18, 3-19
CO	Colorado Department of Transportation	3.08	12.94	**23.82**	14.64	15.30	***95.71***				2002-2007	029325	4-5, 5-8, 6-6
CT*	Metropolitan District Commission	15.79	9.38	168.36	3.25	18.87	**17.23**	3.80	4.76	**79.73**	2005-2008	056184	IV-84, 87, 91; V-112, 114, 116, 119, 121, 123, 126, 128, 130
FL	Broward County	15.79	31.91	**49.47**	4.10	29.50	**13.88**	0.81	31.95	**2.54**	1991-1999	011675	4-18, 4-31, 4-40, 5-7, 5-13, 5-19
FL	Broward County	4.63	13.36	**34.68**	7.25	13.97	**51.88**	4.23	16.77	**25.23**	2005-2009	066606	284, and unpub data

State	Subdivision	U-CON	A-CON	D-CON	U-CPS	A-CPS	D-CPS	U-OPS	A-OPS	D-OPS	Years	Bates Start	Page Spec.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
FL*	City of Tallahassee	11.16	24.31	**45.90**				0.38	30.55	**1.25**	1996-2000	064182	4-13, 4-19; 4-27, 4-33
FL	City of Tampa and Hillsborough County Aviation Authority	13.56	32.94	**41.16**	6.70	35.05	**19.11**	1.24	28.90	**4.29**	2001-2004	020307	6-5, 6-8, 6-11
FL*	Leon County Board of County Commissioners	3.46	10.27	**33.66**	10.19	14.89	**68.43**	4.05	9.09	**44.53**	2004-2008	071721	4-10, 4-13, 4-14, 4-16, 4-17, 4-19
FL*	School District of Hillsborough County	1.65	33.10	**4.99**	23.03	30.29	**76.03**	4.40	28.76	**15.28**	2001-2004	061067	2-5, 2-7, 2-9, 5-21, 5-23
GA	City of Albany; et al.	6.57	10.10	**65.03**				11.39	6.70	170.07	2004-2007	020591	E-3; E-14
GA	City of Atlanta (City)	12.07	26.89	**44.88**	19.42	23.91	***81.22***	13.22	10.90	121.27	2001-2005	072660	Vol. I, 19, 21, 30, 46, 49
GA	City of Atlanta (Airport, local funds)	18.41	26.89	**68.47**	23.83	23.91	***99.68***	30.70	10.90	281.57	2001-2005	072660	Vol. I, 19, 21, 70, 71, 73, 75, 76
GA	City of Atlanta (Airport, federal funds)	9.85	26.89	**36.64**							2001-2005	072660	Vol. I, 19, 83, 84
GA	City of Atlanta (Watershed Management)	6.04	26.89	**22.47**	5.58	23.91	**23.34**	0.00	10.90	**0.00**	2001-2005	072660	Vol. I, 19, 21, 88, 89, 91, 93
GA	Consolidated Government of Augusta-Richmond County	0.38	19.13	**1.97**	19.94	22.60	***88.24***	0.00	53.56	**0.00**	2003-2007	029715	225, plus unpub data
GA	Georgia Department of Transportation	0.69	4.59	**15.04**							1999-2004	072369	111, 119, 123
GA*	Georgia Department of Transportation (State funds)	0.44	17.60	**2.48**	6.59	19.30	**34.15**				2009-2011	056552	K-16, K-19
GA*	Georgia Department of Transportation (Federal funds)	0.34	16.30	**2.10**	2.94	18.20	**16.18**				2009-2011	056552	K-15, K-18
HI	Hawai'i Department of Transportation	15.59	49.12	**31.74**	38.42	46.35	***82.88***				2003-2008	066171	327, and unpub data

State	Subdivision	U-CON	A-CON	D-CON	U-CPS	A-CPS	D-CPS	U-OPS	A-OPS	D-OPS	Years	Bates Start	Page Spec.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
ID	Idaho Transportation Department	0.70	2.60	**26.81**	0.93	4.80	**19.34**				2002-2006	013927	E-14, E-23
IL*	Illinois Department of Transportation	0.00	26.14	**0.00**	14.09	26.58	**53.02**				2006-2009	051365	4-8, 4-10, 7-15, 7-17
IL	Illinois State Toll Highway Authority	0.03	6.29	**0.42**	5.40	10.03	**53.80**				2000-2005	061237	3, plus unpub data
IN	Indiana Department of Administration, et al. (IDOA & INDOT)	1.58	1.80	***87.51***				2.55	7.30	**34.90**	2006-2009	069405	O-7; O-8
IN	Indiana Department of Administration, et al. (State Educational Institutions)	0.81	8.00	**10.11**				5.25	9.50	**55.26**	2006-2009	069405	M-7
IA	City of Davenport	0.00	15.66	**0.00**				1.95	15.28	**12.76**	2003-2007	201048	4-7, 4-9, 7-18, 7-20
KS; MO*	City of Kansas City; Kansas City School District, MO, et al. (Kansas City School District)	23.16	15.45	149.88	1.89	17.26	**10.94**	7.61	11.11	**68.48**	2002-2004	063331	3-5, 3-7, 3-9, 6-19, 6-21, 6-23
KS; MO*	City of Kansas City; Kansas City School District, MO, et al. (Kansas City)	7.19	15.45	**46.51**	10.09	17.26	**58.48**	5.44	11.11	**48.94**	2002-2004	063175	3-5, 3-7, 3-9, 6-21, 6-23, 6-25
KY	State of Kentucky	1.20	1.83	**65.75**	0.17	2.64	**6.40**	1.10	2.64	**41.48**	1995-1999	030803	37, 41, 42, 43, 44, 46
MD*	City of Baltimore	2.74	11.96	**22.96**	7.45	9.84	**75.68**				1990-1998	062068	4-17, 4-25, 4-29, 4-33
MD	City of Baltimore	9.21	10.97	***84.00***	6.93	14.92	**46.48**	22.05	25.60	***86.14***	2000-2005	031316	217, plus unpub data; Other is services

State	Subdivision	U-CON	A-CON	D-CON	U-CPS	A-CPS	D-CPS	U-OPS	A-OPS	D-OPS	Years	Bates Start	Page Spec.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
MD	State of Maryland	0.79	11.75	**6.76**	8.14	16.26	**50.04**	7.79	43.42	**17.94**	2000-2005	062373	206, plus unpub data; Other is IT
MD	State of Maryland	0.56	18.99	**2.96**	2.73	25.78	**10.59**	6.55	32.25	**20.32**	2005-2009	068503	326, and unpub data; Other is IT
MD	Washington Suburban Sanitary Commission	10.92	9.20	118.74	14.03	26.20	**53.55**	17.52	28.90	**60.61**	1999-2004	038852	II-17, III-21, IV-31
MD	Washington Suburban Sanitary Commission	21.24	58.90	**36.07**	8.90	48.82	**18.23**	14.48	51.51	**28.12**	2003-2009	058034	1-15, 1-17, 1-19, 4-21, 4-23, 4-25
MA*	City of Boston	1.81	15.20	**11.90**	3.87	25.01	**15.48**	57.56	15.61	368.74	1999-2001	061366	2-4, 2-6, 2-8, 4-22, 4-24, 4-26
MA*	Division of Capital Asset Management	1.50	3.43	**43.87**	6.05	4.63	130.76				1999-2004	061502	199, and unpub data
MA	Massachusetts Housing Finance Agency	0.88	3.59	**24.49**							2000-2004	061783	5, plus unpub data
MN	City of Minneapolis	1.02	8.78	**11.60**	5.17	7.95	**65.01**	5.05	15.01	**33.62**	2003-2007	069108	233, and unpub; Other is services
MN	City of St. Paul and the St. Paul Housing Authority (City of St. Paul)	8.52	3.29	258.65	1.13	3.95	**28.56**	0.67	2.50	**26.65**	2002-2006	021968	4-21, 4-28, 4-42, 4-43, 4-56, 4-71
MN	City of St. Paul and the St. Paul Housing Authority (St. Paul Housing Authority)	2.11	6.56	**32.17**							2002-2006	021968	6-6, 6-18
MN*	Metropolitan Airports Commission	0.24	5.11	**4.65**	0.00	25.00	**0.00**	0.07	1.61	**4.57**	2004-2007	050765	3-8, 3-12, 3-14, 3-15, 3-16, 3-17

State	Subdivision	U-CON	A-CON	D-CON	U-CPS	A-CPS	D-CPS	U-OPS	A-OPS	D-OPS	Years	Batek Start	Page Spec.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
MN*	Metropolitan Council	0.11	1.96	**5.82**	0.06	3.08	**1.96**	0.08	1.32	**6.10**	2003-2007	050232	3-8, 3-13, 3-14, 3-16, 3-18
MN*	Metropolitan Mosquito Control District	0.00	0.00	**0.00**	0.00	0.00	**0.00**	1.81	13.33	**13.60**	2002-2007	073900	3-8, 3-9, 3-10, 3-11, 3-12, 3-13
MN*	Metropolitan Sports Facilities Commission	0.00	0.00	**0.00**	0.00	0.00	**0.00**	0.04	1.12	**3.36**	2002-2007	074140	3-8, 3-9, 3-10, 3-11, 3-12, 3-13
MN*	Minnesota Department of Administration	0.86	0.81	105.97				1.60	0.48	332.64	2002-2007	050481	3-8, 3-14, 3-15, 3-16
MN	Minnesota Department of Transportation (Federal funds)	0.02	3.89	**0.55**							2000-2004	014443	69, 70
MN	Minnesota Department of Transportation (State funds)	0.03	3.89	**0.79**							2000-2004	014443	69, 73
MN*	Minnesota Department of Transportation	0.10	2.39	**4.19**							2002-2007	050000	3-7, 3-12
MO	Bi-State Development Agency (St. Louis Metro)	0.04	5.75	**0.64**	2.26	7.49	**30.11**				1997-2003	031949	154 plus unpub data
MO*	City of St. Louis, The St. Louis Housing Authority, The Metropolitan St. Louis Sewer District (City of St. Louis)	5.09	9.24	**55.03**	14.00	14.58	***96.03***	4.93	5.39	***91.55***	1995-1999	062696	Ex. p. 2, Ex. p. 7, Ex. p. 9, Ex. p. 12, Ex. p. 14, Ex. p. 17
MO*	City of St. Louis, The St. Louis Housing Authority, The Metropolitan St. Louis Sewer District (Sewer District)	1.08	9.24	**11.64**	9.13	14.58	**62.62**	0.32	5.42	**5.99**	1995-1999	062696	Ex. p. 84, Ex. p. 89, Ex. p. 91, Ex. p. 94, Ex. p. 95, Ex. p. 99
MO*	Missouri Department of Transportation (Federal funds)	0.37	4.53	**8.17**	0.42	6.46	**6.58**				2005-2009	071946	217, and unpub
MO*	Missouri Department of Transportation (State funds)	0.38	4.41	**8.69**	1.64	6.48	**25.24**				2005-2009	071946	223, and unpub
MT	Montana Department of Transportation	1.08	0.89	121.39	0.24	2.22	**10.90**				2000-2006	032140	4-6, 5-18, 5-29

State	Subdivision	U-CON	A-CON	D-CON	U-CPS	A-CPS	D-CPS	U-OPS	A-OPS	D-OPS	Years	Rates Start	Page Spec.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
NV	Nevada Department of Transportation (Federal funds)	1.76	11.20	**15.69**	0.27	6.30	**4.36**				2000-2006	014635	E-14, E-23
NV	Nevada Department of Transportation (State funds)	5.14	8.20	**62.64**	1.31	9.80	**13.40**				2000-2006	014635	E-41, E-50
NJ	State of New Jersey	7.04	15.26	**46.12**	9.94	17.36	**57.24**				2000-2002	032428	1-7, 1-9, 4-16, 4-18
NJ	State of New Jersey	5.99	17.40	**34.43**	7.37	18.15	**40.58**				2003-2004	032816	2-7, 2-9, 5-18, 5-20
NY	City of New York	7.27	46.58	**15.60**	4.83	38.19	**12.64**	3.16	25.62	**12.35**	1997-2002	015043	3-7, 3-9, 3-11, 6-22, 6-24, 6-26
NY	State of New York	1.71	14.34	**11.94**	6.75	13.21	**51.08**	5.66	19.58	**28.90**	2004-2008	068035	292, and unpub; Other is services
NC*	City of Charlotte	8.12	6.33	128.21	4.30	7.52	**57.12**	8.69	11.54	**75.31**	1998-2002	074898	p. 4-127, p. 4-128
NC	City of Charlotte	6.83	19.40	**35.20**	6.58	5.87	112.10	5.88	5.87	100.09	2005-2010	071250	3-16, 3-19, 3-20, 3-23, 3-24, 3-28
NC*	City of Durham and Durham County	5.81	22.53	**25.79**				4.41	14.47	**30.50**	1996-1999	063471	3-4, 3-8, 5-9, 5-13
NC	Durham County	0.00	3.51	**0.00**	6.98	5.51	126.74				2001-2005	063627	76, 82, 83, 85, 86
NC	North Carolina Department of Transportation (Divisionally let)	1.25	5.96	**20.97**							1999-2003	034043	4-16, 4-26
NC	North Carolina Department of Transportation (Centrally let, state funded)	0.00	4.49	**0.00**	8.40	8.94	**93.96**				1999-2003	034043	4-52, 4-70, 4-76, 4-90
NC	North Carolina Department of Transportation (Centrally let, federally funded)	0.00	4.49	**0.00**	1.41	8.94	**15.73**				1999-2003	034043	4-52, 4-70, 4-84, 4-90
NC	North Carolina Department of Transportation	0.87	4.11	**21.26**							2004-2008	023010	90, 138
OH*	City of Cincinnati	11.43	7.54	151.55	5.41	4.96	109.00				1995-2001	063798	39, 44, 49

State	Subdivision	U-CON	A-CON	D-CON	U-CPS	A-CPS	D-CPS	U-OPS	A-OPS	D-OPS	Years	Bates Start	Page Spec.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
OH*	City of Cleveland, et al. (City of Cleveland)	13.34	31.97	**41.74**	7.56	28.50	**26.52**	1.30	18.61	**7.00**	1999-2000	074379	2-4, 2-6, 2-8, 2-13, 2-15, 2-17, 4-23, 4-25, 4-27
OH*	City of Cleveland, et al. (Greater Cleveland RTA)	6.12	31.97	**19.13**	21.09	28.50	**73.99**	4.11	18.61	**22.11**	1998-2000	074783	2-3, 2-4, 2-5, 4-22, 4-23
OH	City of Dayton	3.31	22.58	**14.64**	0.56	15.20	**3.68**	0.39	17.77	**2.19**	2001-2006	015337	4-11, 4-19, 4-24, 4-28, 4-30, 4-34
OH	Northeast Ohio Regional Sewer District	0.35	5.54	**6.28**	5.80	6.28	***92.39***	6.58	6.47	101.65	2004-2008	067021	263, and unpub; Other is services
OK	City of Tulsa	40.91	8.58	476.94	13.15	10.13	129.89	5.80	6.00	***96.62***	2002-2008	067652	4-8, 4-14, 4-15, 4-22, 4-24, 4-28
OK	Oklahoma Department of Transportation (Federal funds)	2.53	3.10	***81.74***	2.05	16.30	**12.60**				2004-2009	055103	K-15, K-18
OK	Oklahoma Department of Transportation (State funds)	10.37	6.30	164.53	3.63	16.90	**21.45**				2004-2009	055103	K-16, K-19
OR*	City of Portland	0.29	0.70	**41.37**	23.59	7.1	332.20				2004-2009	057261	L-6, M-3
OR	Oregon Department of Transportation	2.51	6.07	**41.38**	2.11	14.21	**14.85**				2000-2007	015744	4-12, 4-25, 4-111, 4-123
OR*	Oregon Department of Transportation	4.59	5.83	**78.87**	1.66	17.87	**9.27**	0.00	4.82	**0.00**	2007-2010	073537	4-13, 4-21, 4-26, 4-36; 4-41, 4-50
OR	Port of Portland	0.35	5.75	**6.03**	2.85	12.17	**23.42**	1.97	7.11	**27.64**	2002-2007	067392	4-11, 4-15, 4-19, 4-23, 4-25, 4-26
OR*	Portland Development Commission	0.48	1.54	**31.19**	4.19	5.06	***82.84***				2004-2009	070505	L-3, L-6; M-3, M-9

State	Subdivision	U-CON	A-CON	D-CON	U-CPS	A-CPS	D-CPS	U-OPS	A-OPS	D-OPS	Years	Bates Start	Page Spec.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
PA	State of Pennsylvania	1.51	6.32	**18.21**	5.91	18.45	**32.02**				2003-2005	034582	4-5, 4-7, 7-14, 7-16
SC	City of Columbia	0.77	21.38	**3.62**	16.02	14.81	108.13	7.69	4.82	159.45	2002-2005	035151	4-10, 4-16, 4-20, 4-25, 4-28, 4-34
TN	City of Memphis	8.35	15.46	**53.98**	10.61	21.85	**48.58**	3.09	12.62	**24.46**	2002-2007	063907	112, 113, 123, 124, 125
TN	Consolidated Government of Nashville and Davidson County (Metro Purchasing)	0.00	4.17	**0.00**	0.00	1.14	**0.00**				1999-2003	035989	57, 65, 68
TN	Consolidated Government of Nashville and Davidson County (Metro Nashville Public Schools)	0.00	3.66	**0.00**	3.30	6.58	**50.15**				1999-2003	035989	58, 98, 100
TN	Consolidated Government of Nashville and Davidson County (Nashville Electric Services)	8.09	6.41	125.21	10.80	10.00	107.96				1999-2003	035989	59, 94, 96
TN	Consolidated Government of Nashville and Davidson County (Metro Nashville Airport Authority)	12.00	8.30	144.55	0.18	3.16	**5.75**				1999-2003	035989	60, 76, 79
TN	Consolidated Government of Nashville and Davidson County (Metro Development and Housing Authority)	7.19	9.70	**74.12**	21.99	6.07	362.28				1999-2003	035989	61, 85, 88
TN	Consolidated Government of Nashville and Davidson County (Metro Transit Authority)	0.00	0.00	**0.00**	0.00	9.09	**0.00**				1999-2003	035989	62, 107, 108
TN	Memphis International Airport	0.71	13.19	**5.40**	0.17	20.73	**0.80**	0.00	31.05	**0.00**	1999-2005	036251	229 plus unpub data; Other is services
TN	Nashville International Airport	0.02	6.45	**0.38**	0.75	3.48	**21.42**				2003-2006	010860	36, 39, 47, 49
TN	Tennessee Department of Transportation	5.94	21.02	**28.27**	2.00	18.71	**10.68**				2000-2005	036600	1-13, 1-15, 2-10, 2-12, 4-5, 4-9

State	Subdivision	U-CON	A-CON	D-CON	U-CPS	A-CPS	D-CPS	U-OPS	A-OPS	D-OPS	Years	Bates Start	Page Spec.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
TX	City of Austin	8.69	13.85	**62.76**	8.96	15.77	**56.80**				2002-2006	017080	205 plus unpub data
TX	City of Dallas	10.71	42.94	**24.94**	13.29	41.87	**31.75**	5.00	38.87	**12.87**	1997-2000	037008	3-3, 3-4, 3-5, 5-19, 5-20, 5-21
TX*	City of Fort Worth; et al. (City of Arlington)	0.94	47.52	**1.97**	8.49	35.73	**23.77**	19.86	36.79	**53.99**	2002-2007	064469	2-9, 2-11, 2-13, 5-24, 5-26, 5-28
TX*	City of Fort Worth; et al. (City of Fort Worth)	3.14	47.52	**6.62**	7.81	35.73	**21.85**	5.52	36.79	**14.99**	2002-2007	064644	2-9, 2-11, 2-13, 5-26, 5-28, 5-30
TX*	City of Fort Worth; et al. (DFW Airport)	21.32	47.52	**44.87**	18.45	35.73	**51.62**	10.80	36.79	**29.35**	2002-2007	064841	2-9, 2-11, 2-13, 5-26, 5-28, 5-30
TX*	City of Fort Worth; et al. (Ft. Worth Independent School District)	17.86	47.52	**37.17**	18.45	35.73	**51.64**	5.23	36.79	**14.21**	2002-2007	065047	2-9, 2-11, 2-13, 5-26, 5-28, 5-30
TX*	City of Fort Worth; et al. (North Texas Tollway)	0.26	45.80	**0.56**	1.94	35.61	**5.44**	6.09	35.45	**17.19**	2003-2007	065241	2-9, 2-11, 2-13, 5-26, 5-28, 5-30
TX	City of Houston	7.46	38.55	**19.36**	25.61	37.76	**67.81**	12.90	26.41	**48.85**	2003-2006	036780	3-6, 3-8, 3-10, 6-20, 6-22, 6-24
TX*	City of Houston	5.43	23.39	**23.21**							2005-2010	055889	191, and unpub
TX	City of San Antonio, et al.	22.64	26.00	***87.08***	10.48	22.67	**46.22**	11.38	19.58	**58.13**	2004-2007	023544	3-9, 3-16, 3-18, 3-23, 3-24, 3-29
TX*	Dallas Area Rapid Transit Authority (DART)	11.32	50.15	**22.57**	2.92	40.45	**7.21**	22.41	40.45	**55.41**	1995-2001	065438	3-5, 3-7, 3-9, 6-22, 6-24

State	Subdivision	U-CON	A-CON	D-CON	U-CPS	A-CPS	D-CPS	U-OPS	A-OPS	D-OPS	Years	Bates Start	Page Spec...
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
TX*	San Antonio Water System	19.90	11.34	175.38	15.04	27.08	**55.52**	15.40	31.51	**48.87**	2002-2006	023544	3-7, 3-12, 3-13, 3-18, 3-19, 3-24
TX	State of Texas (Texas DOT)	1.38	6.95	**19.92**				10.57	28.39	**37.23**	2006-2008	037260	4-15, 4-19, 4-23
TX	State of Texas (State Agencies)	8.66	13.80	**62.72**				3.91	28.39	**13.78**	2006-2008	037260	4-15, 4-21, 4-22, 4-23
TX	State of Texas (State Universities)	3.97	13.80	**28.78**				5.99	28.39	**21.10**	2006-2008	037260	4-16, 4-21, 4-22, 4-23
TX	State of Texas (Medical Institutions)	2.98	13.80	**21.63**				6.24	28.39	**22.00**	2006-2008	037260	4-16, 4-21, 4-22, 4-23
TX*	State of Texas	3.60	37.99	**9.47**	12.78	38.05	**33.59**	2.95	23.14	**12.73**	2002-2005	065667	3-8, 3-10, 3-12, 6-21, 6-23, 6-25
UT	Salt Lake City International Airport	0.16	4.96	**3.15**	0.27	5.07	**5.34**				2001-2006	037989	257, plus unpub data
VA	Commonwealth of Virginia	0.32	1.71	**19.05**	0.07	3.84	**1.87**	0.58	0.87	**67.06**	1998-2002	038366	4-16, 4-27, 4-32, 4-41, 4-44, 4-57
VA	Commonwealth of Virginia	1.46	7.48	**19.55**	0.46	9.95	**4.66**	2.22	13.13	**16.88**	2006-2009	060413	4-10, 4-12, 4-14, 4-26, 4-27
VA*	Virginia DOT (Federal funds)	0.81	2.34	**34.70**	0.00	5.88	**0.00**				1998-2002	066083	11, 18, 22, 29
VA*	Virginia DOT (State funds)	1.06	2.34	**45.42**	1.79	5.88	**30.41**				1998-2002	066083	34, 41, 45, 52
WA	Washington Department of Transportation (Federal funds)	1.07	7.16	**14.94**	2.53	5.59	**45.26**				1999-2003	016159	63, 64, 70
WA	Washington Department of Transportation (State funds)	0.41	7.16	**5.73**	1.14	5.59	**20.39**				1999-2003	016159	63, 67, 73
WI	City of Milwaukee	2.91	33.77	**8.63**				13.11	17.63	**74.36**	2005	039050	5-11, 5-13, 6-5, 6-7

State	Subdivision	U-CON	A-CON	D-CON	U-CPS	A-CPS	D-CPS	U-OPS	A-OPS	D-OPS	Years	Bates Start	Page Spec.
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)
WI	City of Milwaukee	10.24	1.49	688.51				3.82	1.44	265.20	2005-2008	057069	4-7, 5-2, 5-3

Notes: (1) All of the studies in Table 4 have been submitted to Congress, except for those 10 marked with an asterisk (*). (2) Disparity indexes of 80 or lower are highlighted in **boldface** type. Disparity indexes of 100 or lower are highlighted in ***boldface italic*** type.

The vast majority of the disparity studies presented in Table 5 identified large adverse disparities affecting MBEs in construction, CPS, and OPS.[40] Considering just the studies that have been submitted to Congress, there are 225 disparity indexes summarized in Table 5. Of these, 100 are from the construction sector, 77 are from the CPS sector, and 48 are from the OPS.[41]

- In construction, 83 of 100 disparity indexes (83 percent) fall at or below 80, and 89 of 100 (89 percent), are less than 100.
- In CPS, 58 of 77 disparity indexes (75 percent) fall at or below 80, and 66 of 77 (86 percent), are less than 100.
- In OPS, 36 of 48 disparity indexes (74 percent) fall at or below 80, and 39 of 48 (81 percent), are less than 100.
- Combined together, 177 of 225 disparity indexes (79 percent) fall at or below 80, and 194 of 225 (86 percent) are less than 100.

When the additional studies that are in the record, but not yet submitted to Congress, are included, the results are very similar. There are 206 disparity indexes altogether—127 for the construction sector and 79 for the CRS sector.

- In construction, 119 of 142 disparity indexes (84 percent) fall at or below 80, and 125 of 142 (88 percent), are less than 100.
- In CPS, 90 of 114 disparity indexes (79 percent) fall at or below 80, and 100 of 114 (88 percent), are less than 100.
- In OPS, 61 of 76 disparity indexes (80 percent) fall at or below 80, and 65 of 76 (86 percent), are less than 100.
- Combined together, 270 of 332 disparity indexes (81 percent) fall at or below 80, and 290 of 332 (87 percent) are less than 100.

Notably, the general consistency of these results appears despite these studies having been undertaken by different consultants, using differing methods, at different points in time, with different budgets, and for a wide variety of state and local government agencies in a wide variety of geographic locations.

- Of the 52 statewide or state agency (including state DOTs) construction disparity indexes in Table 5, 47 (90 percent) are less than or equal to 80 and 49 (94 percent) are less than or equal to 100.

[40] In Table 5, disparity indexes of 80 or lower are highlighted in boldface type, while disparity indexes above 80 but still less than 100 (which would indicate parity with non-MBEs) are highlighted in boldface italicized type.

[41] As I will discuss further below, several of the disparity indices from the OPS sector are specifically from information technology services, one of the sectors in which the plaintiff operates.

- Of the 37 statewide CPS disparity indexes, 33 (89 percent) are less than or equal to 80 and 36 (97 percent) are less than or equal to 100.

- Of the 17 statewide OPS disparity indexes, 16 (94 percent) are less than or equal to 80 and 16 (94 percent) are less than or equal to 100.

- Of the 49 city or county construction disparity indexes, 40 (82 percent) are less than or equal to 80 and 42 (86 percent) are less than or equal to 100.

- Of the 39 city or county CPS disparity indexes, 28 (72 percent) are less than or equal to 80 and 32 (82 percent) are less than or equal to 100.

- Of the 39 city or county OPS disparity indexes, 27 (69 percent) are less than or equal to 80 and 30 (77 percent) are less than or equal to 100.

- Of the 41 special district (*e.g.*, transit agencies, airports, housing authorities, school districts) construction disparity indexes, 32 (78 percent) are less than or equal to 80 and 34 (83 percent) are less than or equal to 100.

- Of the 38 special district CPS disparity indexes, 29 (76 percent) are less than or equal to 80 and 32 (84 percent) are less than or equal to 100.

- Of the 20 special district OPS disparity indexes, 18 (90 percent) are less than or equal to 80 and 19 (95 percent) are less than or equal to 100.

Eleven different consultants produced the studies in Table 5. However, 84 percent of these studies were produced by just four of these firms: BBC Research & Consulting, Mason Tillman Associates, MGT of America, and NERA Economic Consulting.

- Of the 25 construction disparity indexes estimated by BBC Research & Consulting, 18 (72 percent) are less than or equal to 80 and 22 (88 percent) are less than or equal to 100.

- Of the 22 CPS disparity indexes from BBC in Table 4, 16 (73 percent) are less than or equal to 80 and 17 (77 percent) are less than or equal to 100.

- Of the 4 OPS disparity indexes from BBC in Table 4, 3 (75 percent) are less than or equal to 80 and 3 (75 percent) are less than or equal to 100.

- Of the 29 construction disparity indexes estimated by Mason Tillman Associates, 28 (97 percent) are less than or equal to 80 and 28 (97 percent) are less than or equal to 100.

- Of the 25 CPS disparity indexes estimated by Mason Tillman, 25 (100 percent) are less than or equal to 80 and 25 (100 percent) are less than or equal to 100.

- Of the 24 OPS disparity indexes estimated by Mason Tillman, 23 (96 percent) are less than or equal to 80 and 23 (96 percent) are less than or equal to 100.

- Of the 38 construction disparity indexes estimated by MGT of America, 32 (84 percent) are less than or equal to 80 and 33 (87 percent) are less than or equal to 100.

- Of the 28 CPS disparity indexes estimated by MGT, 23 (82 percent) are less than or equal to 80 and 25 (89 percent) are less than or equal to 100.

- Of the 27 OPS disparity indexes estimated by MGT, 22 (81 percent) are less than or equal to 80 and 24 (89 percent) are less than or equal to 100.

- Of the 24 construction disparity indexes estimated by NERA Economic Consulting, 23 (96 percent) are less than or equal to 80 and 24 (100 percent) are less than or equal to 100.

- Of the 20 CPS disparity indexes estimated by NERA, 15 (75 percent) are less than or equal to 80 and 19 (95 percent) are less than or equal to 100.

- Of the 9 OPS disparity indexes estimated by NERA, 7 (78 percent) are less than or equal to 80 and 8 (89 percent) are less than or equal to 100. Moreover, all of the NERA-estimated OPS disparity indexes presented in Table 5 are restricted to the information technology and facilities management industries—those industries within which the plaintiff operates.

- Of the 26 construction disparity indexes estimated by the balance of consulting firms, 18 (69 percent) are less than or equal to 80 and 18 (69 percent) are less than or equal to 100.

- Of the 19 CPS disparity indexes estimated by the balance of consulting firms, 11 (58 percent) are less than or equal to 80 and 14 (74 percent) are less than or equal to 100.

- Of the 12 OPS disparity indexes estimated by the balance of consulting firms, 6 (50 percent) are less than or equal to 80 and 7 (58 percent) are less than or equal to 100.

Some specific results from Table 5 are recounted below, focusing on cases where, although positive levels of MBE availability were estimated, the resulting disparity indexes fell far below even the 80 percent threshold:[42]

- Not a single dollar of construction prime contracts went to MBEs from the Arizona Department of Transportation between 2002-2007, the San Diego Association of Governments between 2003-2007, the Illinois Department of Transportation between 2006-2009, the City of Davenport (IA) between 2003-2007, Durham County (NC) between 2001-2005, the North Carolina Department of Transportation (DOT) between 1999-2003, the Consolidated Government of Nashville and Davidson County between

[42] To be sure, Table 5 also includes instances where MBE utilization met or even exceeded the corresponding estimate of MBE availability. However, these cases are a small fraction of those observed overall—just 17 out of 142 cases in construction (12 percent), 14 out of 114 cases in CPS (12 percent), and 11 out of 76 cases in OPS (14 percent).

1999-2003, or the Metro Nashville Public Schools between 1999-2003. In all of these cases, positive levels of MBE availability were estimated.

- Not a single dollar of CPS prime contracts went to MBEs from the California Department of Transportation (state funds) between 2002-2006, the San Diego Metropolitan Transit System between 2003-2007, the (Minneapolis) Metropolitan Airports Commission between 2003-2007, the Consolidated Government of Nashville and Davidson County between 1999-2003, or the Virginia DOT (federal funds) between 1998-2002. In all of these cases, positive levels of MBE availability were estimated.

- Not a single dollar of OPS prime contracts went to MBEs from the City of Atlanta Watershed Management Division between 2001-2005, the Oregon DOT between 2007-2010, the Consolidated Government of Augusta-Richmond County (GA) between 2003-2007, or the Memphis International Airport between 1999-2005.[43] The OPS contracts for Augusta-Richmond County and the Memphis International Airport refer specifically to the plaintiff's lines of work in information technology services and facilities support services.

- In Alabama:

    - Although almost 19 percent of available construction businesses were estimated to be MBEs, the City of Birmingham awarded only 10 percent of prime construction contract dollars to MBEs.

    - Although over 16 percent of available CPS businesses were estimated to be MBEs, the City of Birmingham awarded only about 10 percent of prime CPS contract dollars to MBEs.

- In Alaska:

    - Although 12.5 percent of available construction businesses were estimated to be MBEs, the Alaska DOT awarded less than 3 percent of prime construction contract dollars to MBEs.

    - Although 26 percent of available OPS businesses were estimated to be MBEs, the Alaska DOT awarded less than 16 percent of prime OPS contract dollars to MBEs.

- In Arizona:

    - Although almost 12 percent of available construction businesses were estimated to be MBEs, the City of Phoenix awarded less than 3 percent of prime construction contract dollars to MBEs.

[43] OPS contracts for Augusta-Richmond County and the Memphis International Airport were restricted to information technology and facilities management services.

- Although over 14 percent of available CPS businesses were estimated to be MBEs, the Arizona DOT awarded only 5 percent of prime CPS contract dollars to MBEs.

- In California:
  - Although almost 38 percent of available construction businesses were estimated to be MBEs, Alameda County awarded only 16 percent of prime construction contract dollars to MBEs.
  - Although 40 percent of available CPS businesses were estimated to be MBEs, Alameda County awarded less than 11 percent of prime CPS contract dollars to MBEs.
  - Although almost 34 percent of available OPS businesses were estimated to be MBEs, Alameda County awarded only 12 percent of prime OPS contract dollars to MBEs.
  - Although almost 28 percent of available construction businesses were estimated to be MBEs, the San Francisco Bay Area Rapid Transit awarded less than 11 percent of prime construction contract dollars to MBEs.
  - Although about 15.5 percent of available OPS businesses were estimated to be MBEs, the San Francisco Bay Area Rapid Transit awarded less than 8 percent of prime OPS contract dollars to MBEs.
  - Although about 25 percent of available OPS businesses were estimated to be MBEs, the City of Oakland and the Oakland Redevelopment Agency awarded only 10 percent of prime OPS contract dollars to MBEs.
  - Although over 8 percent of available construction businesses were estimated to be MBEs, the California DOT awarded only slightly more than 2 percent of state-funded prime construction contract dollars to MBEs.
  - Although almost 10.5 percent of available construction businesses were estimated to be MBEs, the California DOT awarded only about 5.5 percent of federally-funded prime construction contract dollars to MBEs.
  - Although almost 17 percent of available CPS businesses were estimated to be MBEs, the California DOT awarded only 3.5 percent of federally-funded prime CPS contract dollars to MBEs.
  - Although almost 14 percent of available construction businesses were estimated to be MBEs, the Los Angeles County Metropolitan Transportation Authority awarded less than 5.5 percent of locally-funded prime construction contract dollars to MBEs.

- Although almost 15 percent of available CPS businesses were estimated to be MBEs, the Los Angeles County Metropolitan Transportation Authority awarded less than 5 percent of federally-funded prime CPS contract dollars to MBEs.
- Although 16 percent of available CPS businesses were estimated to be MBEs, the Los Angeles County Metropolitan Transportation Authority awarded only about 4 percent of locally-funded prime CPS contract dollars to MBEs.
- Although over 19 percent of available construction businesses were estimated to be MBEs, the Southern California Regional Rail Authority awarded less than one-tenth of 1 percent of prime construction contract dollars to MBEs.
- Although almost 23 percent of available CPS businesses were estimated to be MBEs, the Southern California Regional Rail Authority awarded only about 2 percent of prime CPS contract dollars to MBEs.
- Although almost 14 percent of available construction businesses were estimated to be MBEs, the San Diego Association of Governments awarded just over 6 percent of prime construction contract dollars to MBEs.
- Although over 17 percent of available CPS businesses were estimated to be MBEs, the San Diego Metropolitan Transit System awarded less than two-tenths of 1 percent of prime CPS contract dollars to MBEs.
- Although almost 16 percent of available construction businesses were estimated to be MBEs, the San Mateo County Transit District awarded just seven-tenths of 1 percent of prime construction contract dollars to MBEs.
- Although over 16 percent of available OPS businesses were estimated to be MBEs, the San Mateo County Transit District awarded less than 3 percent of prime OPS contract dollars to MBEs.

- In Colorado:
  - Although over 9 percent of available construction businesses were estimated to be MBEs, the City of Denver awarded only 1.5 percent of prime construction contract dollars to MBEs.
  - Although over 8 percent of available construction businesses were estimated to be MBEs during the 1996-2000 period, the Colorado DOT awarded only about 2 percent of prime construction contract dollars to MBEs. By the 2002-2007 period, MBE availability had grown to almost 13 percent, prime construction contract dollars awarded to MBEs by Colorado DOT grew to only 3 percent.
  - Although almost 5 percent of available CPS businesses were estimated to be MBEs during the 1996-2000 period, the Colorado DOT awarded only about 1 percent of prime CPS contract dollars to MBEs.

- In Connecticut:
    - Although almost 19 percent of available CPS businesses were estimated to be MBEs, the Metropolitan District Commission (Hartford) awarded just over 3 percent of prime CPS contract dollars to MBEs.
- In Florida:
    - Although over 13 percent of available construction businesses were estimated to be MBEs, Broward County awarded just over 4.5 percent of prime construction contract dollars to MBEs.
    - Although almost 14 percent of available CPS businesses were estimated to be MBEs, Broward County awarded only about 7 percent of prime CPS contract dollars to MBEs.
    - Although almost 17 percent of available OPS businesses were estimated to be MBEs, Broward County awarded only about 4 percent of prime OPS contract dollars to MBEs. The OPS statistics here refer specifically to the plaintiff's lines of work in information technology services and facilities support services.
    - Although 24 percent of available construction businesses were estimated to be MBEs, the City of Tallahassee awarded only about 11 percent of prime construction contract dollars to MBEs.
    - Although almost 31 percent of available OPS businesses were estimated to be MBEs, the City of Tallahassee awarded less than four-tenths of 1 percent of prime OPS contract dollars to MBEs.
    - Although over 10 percent of available construction businesses were estimated to be MBEs, Leon County awarded less than 3.5 percent of prime construction contract dollars to MBEs.
    - Although 9 percent of available OPS businesses were estimated to be MBEs, Leon County awarded only 4 percent of prime OPS contract dollars to MBEs.
    - Although 29 percent of available OPS businesses were estimated to be MBEs, the City of Tampa and the Hillsborough County Aviation Authority awarded only about 1 percent of prime OPS contract dollars to MBEs, and the Hillsborough County School District awarded only about 4.5 percent.
- In Georgia:
    - Although almost 27 percent of available construction businesses were estimated to be MBEs, the City of Atlanta awarded just 12 percent of prime construction contract dollars to MBEs, the City's airport awarded less than 10 percent, and the City's Watershed Management Division awarded only 6 percent.

- Although almost 24 percent of available CPS businesses were estimated to be MBEs, the City of Atlanta's Watershed Management Division awarded only about 5.5 percent of prime CPS contract dollars to MBEs.

- Although 19 percent of available construction businesses were estimated to be MBEs, the Government of Augusta-Richmond County awarded less than four-tenths of 1 percent of prime construction contract dollars to MBEs.

- Although over 16 percent of available construction businesses were estimated to be MBEs, the Georgia DOT awarded less than four-tenths of 1 percent of federally-funded prime construction contract dollars to MBEs.

- Although almost 18 percent of available construction businesses were estimated to be MBEs, the Georgia DOT awarded only about four-tenths of 1 percent of state-funded prime construction contract dollars to MBEs.

- Although over 18 percent of available CPS businesses were estimated to be MBEs, the Georgia DOT awarded only less than 3 percent of federally-funded prime construction CPS dollars to MBEs.

- Although over 19 percent of available CPS businesses were estimated to be MBEs, the Georgia DOT awarded only less than 7 percent of state-funded prime construction CPS dollars to MBEs.

- In Hawaii:

  - Although 49 percent of available construction businesses were estimated to be MBEs, the Hawaii DOT awarded less than 16 percent of prime construction contract dollars to MBEs.

- In Idaho:

  - Although more than 2.5 percent of available construction businesses were estimated to be MBEs, the Idaho Transportation Department awarded only seven-tenths of 1 percent of prime construction contract dollars to MBEs.

  - Although almost 5 percent of available CPS businesses were estimated to be MBEs, the Idaho Transportation Department awarded less than 1 percent of prime CPS contract dollars to MBEs.

- In Illinois:

  - Although almost 6.5 percent of available construction businesses were estimated to be MBEs, the Illinois Tollway awarded less than one-tenth of 1 percent of prime construction contract dollars to MBEs.

- Although 10 percent of available CPS businesses were estimated to be MBEs, the Illinois Tollway awarded less than 5.5 percent of prime CPS contract dollars to MBEs.
- Although almost 27 percent of available CPS businesses were estimated to be MBEs, the Illinois DOT awarded only 14 percent of prime CPS contract dollars to MBEs.

- In Indiana:
  - Although 8 percent of available construction businesses were estimated to be MBEs, the Indiana Department of Administration and the Indiana DOT awarded only eight-tenths of 1 percent of prime construction contract dollars to MBEs.
  - Although over 7 percent of available OPS businesses were estimated to be MBEs, the Indiana Department of Administration and the Indiana DOT awarded only 2.5 percent of prime OPS contract dollars to MBEs.
  - Although 9.5 percent of available OPS businesses were estimated to be MBEs, the Indiana State Educational Institutions awarded less than 5.5 percent of prime OPS contract dollars to MBEs.

- In Iowa:
  - Although over 15 percent of available OPS businesses were estimated to be MBEs, the City of Davenport awarded less than 2 percent of prime OPS contract dollars to MBEs.

- In Kentucky:
  - Although almost 2 percent of available construction businesses were estimated to be MBEs, the State of Kentucky awarded only slightly more than 1 percent of prime construction contract dollars to MBEs.
  - Although almost 3 percent of available CPS businesses were estimated to be MBEs, the State of Kentucky awarded less than two-tenths of 1 percent of prime CPS contract dollars to MBEs.
  - Although more than 2.5 percent of available OPS businesses were estimated to be MBEs, the State of Kentucky awarded only about 1 percent of prime OPS contract dollars to MBEs.

- In Maryland:
  - Although 12 percent of available construction businesses were estimated to be MBEs, the City of Baltimore awarded less than 3 percent of prime construction contract dollars to MBEs.

- Although almost 15 percent of available CPS businesses were estimated to be MBEs, the City of Baltimore awarded less than 7 percent of prime CPS contract dollars to MBEs.

- Although almost 12 percent of available construction businesses were estimated to be MBEs during the 2000-2005 period, the State of Maryland awarded less than eight-tenths of 1 percent of prime construction contract dollars to MBEs. By the 2005-2009 period, MBE availability had grown to 19 percent, but prime construction contract dollars awarded to MBEs by Maryland fell to less than six-tenths of 1 percent.

- Although over 16 percent of available CPS businesses were estimated to be MBEs during the 2000-2005 period, the State of Maryland awarded only 8 percent of prime CPS contract dollars to MBEs. By the 2005-2009 period, MBE availability had grown to 26 percent, but prime CPS contract dollars awarded to MBEs fell to less than 3 percent.

- Although over 43 percent of available OPS businesses were estimated to be MBEs during the 2000-2005 period, the State of Maryland awarded less than 8 percent of prime CPS contract dollars to MBEs. By the 2005-2009 period, MBE availability was estimated to be over 32 percent, but prime OPS contract dollars awarded to MBEs were less than 7 percent. The OPS statistics here refer specifically to the plaintiff's lines of work in information technology services and facilities support services.

- Although over 26 percent of available CPS businesses were estimated to be MBEs, the Washington Suburban Sanitary Commission awarded only 14 percent of prime CPS contract dollars to MBEs.

- Although almost 29 percent of available OPS businesses were estimated to be MBEs, the Washington Suburban Sanitary Commission awarded only 17.5 percent of prime OPS contract dollars to MBEs.

- In Massachusetts:

  - Although 15 percent of available construction businesses were estimated to be MBEs, the City of Boston awarded less than 2 percent of prime construction contract dollars to MBEs.

  - Although 25 percent of available CPS businesses were estimated to be MBEs, the City of Boston awarded less than 4 percent of prime CPS contract dollars to MBEs.

  - Although almost 3.5 percent of available construction businesses were estimated to be MBEs, the State Division of Capital Asset Management awarded only 1.5 percent of prime construction contract dollars to MBEs.

- In Minnesota:
    - Although almost 9 percent of available construction businesses were estimated to be MBEs, the City of Minneapolis awarded only 1 percent of prime construction contract dollars to MBEs.
    - Although almost 8 percent of available CPS businesses were estimated to be MBEs, the City of Minneapolis awarded only about 5 percent of prime CPS dollars to MBEs.
    - Although 15 percent of available OPS businesses were estimated to be MBEs, the City of Minneapolis awarded only 5 percent of prime OPS dollars to MBEs. The OPS statistics here refer specifically to the plaintiff's lines of work in information technology services and facilities support services.
    - Although almost 7 percent of available construction businesses were estimated to be MBEs, the St. Paul Housing Authority awarded only about 2 percent of prime construction contract dollars to MBEs.
    - Although almost 4 percent of available CPS businesses were estimated to be MBEs, the City of St. Paul awarded only about 1 percent of prime CPS contract dollars to MBEs.
    - Although 2.5 percent of available OPS businesses were estimated to be MBEs, the City of St. Paul awarded less than seven-tenths of 1 percent of prime OPS contract dollars to MBEs.
    - Although over 5 percent of available construction businesses were estimated to be MBEs, the Minneapolis Metropolitan Airports Commission awarded less than three-tenths of 1 percent of prime construction contract dollars to MBEs.
    - Although almost 2 percent of available OPS businesses were estimated to be MBEs, the Minneapolis Metropolitan Airports Commission awarded less than one-tenth of 1 percent of prime OPS contract dollars to MBEs.
    - Although just under 4 percent of available construction businesses were estimated to be MBEs during the 2000-2004 period, the Minnesota DOT awarded less than one-tenth of 1 percent of prime construction contract dollars to MBEs. By the 2002-2007 period, MBE availability was estimated to be just under 2.5 percent, and prime construction contract dollars awarded to MBEs were just one-tenth of 1 percent.
- In Missouri:
    - Although over 15 percent of available construction businesses were estimated to be MBEs, Kansas City awarded only about 7 percent of prime construction contract dollars to MBEs.

- Although over 17 percent of available CPS businesses were estimated to be MBEs, Kansas City awarded only 10 percent of prime CPS contract dollars to MBEs and the Kansas City School District awarded less than 2 percent.

- Although 11 percent of available OPS businesses were estimated to be MBEs, Kansas City awarded less than 5.5 percent of prime OPS contract dollars to MBEs.

- Although almost 6 percent of available construction businesses were estimated to be MBEs, St. Louis Metro awarded less than one-tenth of 1 percent of prime construction contract dollars to MBEs.

- Although 7.5 percent of available CPS businesses were estimated to be MBEs, St. Louis Metro awarded only about 2 percent of prime CPS contract dollars to MBEs.

- Although over 9 percent of available construction businesses were estimated to be MBEs, the City of St. Louis awarded only 5 percent of prime construction contract dollars to MBEs, and the Metropolitan St. Louis Sewer District awarded only 1 percent.

- Although almost 15 percent of available CPS businesses were estimated to be MBEs, the Metropolitan St. Louis Sewer District awarded only 9 percent of prime CPS contract dollars to MBEs.

- Although almost 5.5 percent of available OPS businesses were estimated to be MBEs, the Metropolitan St. Louis Sewer District awarded less than four-tenths of 1 percent of prime OPS contract dollars to MBEs.

- Although about 4.5 percent of available construction businesses were estimated to be MBEs, the Missouri DOT awarded less than four-tenths of 1 percent of prime construction contract dollars to MBEs.

- Although about 6.5 percent of available CPS businesses were estimated to be MBEs, the Missouri DOT awarded less than one-half of 1 percent of federally-funded prime CPS contract dollars to MBEs and less than 2 percent of state-funded dollars.

- In Montana:

  - Although over 2 percent of available CPS businesses were estimated to be MBEs, the Montana DOT awarded only about two-tenths of one percent of prime CPS contract dollars to MBEs.

- In Nevada:
    - Although over 8 percent of available construction businesses were estimated to be MBEs, the Nevada DOT awarded only about 5 percent of state-funded prime construction contract dollars to MBEs.
    - Although over 11 percent of available construction businesses were estimated to be MBEs, the Nevada DOT awarded less than 2 percent of federally-funded prime construction contract dollars to MBEs.
    - Although over 6 percent of available CPS businesses were estimated to be MBEs, the Nevada DOT awarded less than three-tenths of 1 percent of federally-funded prime CPS contract dollars to MBEs.
    - Although almost 10 percent of available CPS businesses were estimated to be MBEs, the Nevada DOT awarded less than 1.5 percent of state-funded prime CPS contract dollars to MBEs.
- In New Jersey:
    - Although 15 percent of available construction businesses were estimated to be MBEs during the 2000-2002 period, the State of New Jersey awarded only 7 percent of prime construction contract dollars to MBEs. During the 2003-2004 period, availability was estimated at about 17.5 percent, but only 6 percent of prime construction contract dollars were awarded to MBEs.
    - Although over 17 percent of available CPS businesses were estimated to be MBEs during the 2000-2002 period, the State of New Jersey awarded less than 10 percent of prime CPS contract dollars to MBEs. During the 2003-2004 period, availability was estimated at 18 percent, but only about 7.5 percent of prime CPS contract dollars were awarded to MBEs.
- In New York:
    - Although almost 47 percent of available construction businesses were estimated to be MBEs, New York City awarded only about 7 percent of prime construction contract dollars to MBEs.
    - Although over 38 percent of available CPS businesses were estimated to be MBEs, New York City awarded less than 5 percent of prime CPS contract dollars to MBEs.
    - Although almost 26 percent of available OPS businesses were estimated to be MBEs, New York City awarded only about 3 percent of prime OPS contract dollars to MBEs.

- Although 14 percent of available construction businesses were estimated to be MBEs, the State of New York awarded less than 2 percent of prime construction contract dollars to MBEs.

- Although over 13 percent of available CPS businesses were estimated to be MBEs, the State of New York awarded less than 7 percent of prime CPS contract dollars to MBEs.

- Although almost 20 percent of available OPS businesses were estimated to be MBEs, the State of New York awarded less than 6 percent of prime OPS contract dollars to MBEs. The OPS statistics here refer specifically to the plaintiff's lines of work in information technology services and facilities support services.

- In North Carolina:

  - Although over 19 percent of available construction businesses were estimated to be MBEs, the City of Charlotte awarded less than 7 percent of prime construction contract dollars to MBEs.

  - Although 7.5 percent of available CPS businesses were estimated to be MBEs, the City of Charlotte awarded less than 4.5 percent of prime CPS contract dollars to MBEs.

  - Although over 22 percent of available construction businesses were estimated to be MBEs, the City of Durham and Durham County awarded less than 6 percent of prime construction contract dollars to MBEs.

  - Although almost 15 percent of available OPS businesses were estimated to be MBEs, the City of Durham and Durham County awarded less than 4.5 percent of prime OPS contract dollars to MBEs.

  - Although 6 percent of available construction businesses were estimated to be MBEs during the 1999-2003 period, the North Carolina DOT awarded less than 1.5 percent of prime construction contract dollars to MBEs. By 2004-2008, availability was estimated to be about 4 percent, and prime awards to MBEs were less than 1 percent.

  - Although almost 9 percent of available CPS businesses were estimated to be MBEs during the 1999-2003 period, the North Carolina DOT awarded less than 1.5 percent of prime CPS contract dollars to MBEs.

- In Ohio:

  - Although 32 percent of available construction businesses were estimated to be MBEs, the City of Cleveland awarded only 13 percent of prime construction contract dollars to MBEs and the Greater Cleveland Regional Transit Authority awarded just 6 percent.

- Although almost 29 percent of available CPS businesses were estimated to be MBEs, the City of Cleveland awarded only 7.5 percent of prime CPS contract dollars to MBEs.
- Although almost 19 percent of available OPS businesses were estimated to be MBEs, the City of Cleveland awarded less than 1.5 percent of prime OPS contract dollars to MBEs and the Greater Cleveland Regional Transit Authority awarded only about 4 percent.
- Although almost 23 percent of available construction businesses were estimated to be MBEs, the City of Dayton awarded only about 3 percent of prime construction contract dollars to MBEs.
- Although over 15 percent of available CPS businesses were estimated to be MBEs, the City of Dayton awarded less than six-tenths of 1 percent of prime CPS contract dollars to MBEs.
- Although almost 18 percent of available OPS businesses were estimated to be MBEs, the City of Dayton awarded less than four-tenths of 1 percent of prime OPS contract dollars to MBEs.

- In Oklahoma:
  - Although 16 percent of available CPS businesses were estimated to be MBEs, the Oklahoma DOT awarded only 2 percent of federally-funded prime CPS contract dollars to MBEs.
  - Although almost 17 percent of available CPS businesses were estimated to be MBEs, the Oklahoma DOT awarded less than 4 percent of state-funded prime CPS contract dollars to MBEs.

- In Oregon:
  - Although 6 percent of available construction businesses were estimated to be MBEs, the Oregon DOT awarded only 2.5 percent of federally-funded prime construction contract dollars to MBEs.
  - Although over 14 percent of available CPS businesses were estimated to be MBEs, the Oregon DOT awarded only 2 percent of federally-funded prime CPS contract dollars to MBEs.
  - Although just under 6 percent of available construction businesses were estimated to be MBEs, the Port of Portland awarded less than four-tenths of 1 percent of prime construction contract dollars to MBEs.
  - Although over 12 percent of available CPS businesses were estimated to be MBEs, the Port of Portland awarded less than 3 percent of prime CPS contract dollars to MBEs.

- Although over 7 percent of available OPS businesses were estimated to be MBEs, the Port of Portland awarded less than 2 percent of prime OPS contract dollars to MBEs.

- In Pennsylvania:
  - Although over 8 percent of available construction businesses were estimated to be MBEs, the State of Pennsylvania awarded only 1.5 percent of prime construction contract dollars to MBEs.
  - Although over 18 percent of available CPS businesses were estimated to be MBEs, the State of Pennsylvania awarded less than 6 percent of prime CPS contract dollars to MBEs.

- In South Carolina:
  - Although 21 percent of available construction businesses were estimated to be MBEs, the City of Columbia awarded less than eight-tenths of 1 percent of prime construction contract dollars to MBEs.

- In Tennessee:
  - Although over 15 percent of available construction businesses were estimated to be MBEs, the City of Memphis awarded only about 8 percent of prime construction contract dollars to MBEs.
  - Although almost 22 percent of available CPS businesses were estimated to be MBEs, the City of Memphis awarded less than 11 percent of prime CPS contract dollars to MBEs.
  - Although almost 13 percent of available OPS businesses were estimated to be MBEs, the City of Memphis awarded only about 3 percent of prime OPS contract dollars to MBEs.
  - Although 13 percent of available construction businesses were estimated to be MBEs, the Memphis International Airport awarded only seven-tenths of 1 percent of prime construction contract dollars to MBEs.
  - Although 21 percent of available CPS businesses were estimated to be MBEs, the Memphis International Airport awarded less than two-tenths of 1 percent of prime CPS contract dollars to MBEs.
  - Although 6 percent of available construction businesses were estimated to be MBEs, the Nashville International Airport awarded less than one-tenth of 1 percent of prime construction contract dollars to MBEs.
  - Although over 3 percent of available CPS businesses were estimated to be MBEs during the 1999-2003 period, the Nashville International Airport awarded less

than two-tenths of 1 percent of prime CPS contract dollars to MBEs. During the 2003-2006 period, availability was estimated to be 3.5 percent, but less than eight-tenths of 1 percent of prime CPS contract dollars were awarded to MBEs.

- Although about 6.5 percent of available CPS businesses were estimated to be MBEs, the Metro Nashville Public Schools awarded less than 3.5 percent of prime CPS contract dollars to MBEs.

- Although 21 percent of available construction businesses were estimated to be MBEs, the Tennessee DOT awarded less than 6 percent of prime construction contract dollars to MBEs.

- Although almost 19 percent of available CPS businesses were estimated to be MBEs, the Tennessee DOT awarded only 2 percent of prime CPS contract dollars to MBEs.

- In Texas:

  - Although 14 percent of available construction businesses were estimated to be MBEs, the City of Austin awarded less than 9 percent of prime construction contract dollars to MBEs.

  - Although almost 16 percent of available CPS businesses were estimated to be MBEs, the City of Austin awarded less than 9 percent of prime CPS contract dollars to MBEs.

  - Although 43 percent of available construction businesses were estimated to be MBEs, the City of Dallas awarded less than 11 percent of prime construction contract dollars to MBEs.

  - Although 42 percent of available CPS businesses were estimated to be MBEs, the City of Dallas awarded less than 13.5 percent of prime CPS contract dollars to MBEs.

  - Although almost 39 percent of available OPS businesses were estimated to be MBEs, the City of Dallas awarded only 5 percent of prime OPS contract dollars to MBEs.

  - Although over 47 percent of available construction businesses were estimated to be MBEs, the City of Arlington awarded less than 1 percent of prime construction contract dollars to MBEs, the City of Fort Worth about 3 percent, the DFW International Airport about 21 percent, the Fort Worth Independent School District about 18 percent, and the North Texas Tollway less than three-tenths of 1 percent.

  - Although almost 36 percent of available CPS businesses were estimated to be MBEs, the City of Arlington awarded only 8.5 percent of prime CPS contract dollars to MBEs, the City of Fort Worth less than 8 percent, the DFW

International Airport about 18.5 percent, the Fort Worth Independent School District about 18.5 percent, and the North Texas Tollway less than 2 percent.

- Although almost 37 percent of available OPS businesses were estimated to be MBEs, the City of Arlington awarded less than 20 percent of prime OPS contract dollars to MBEs, the City of Fort Worth only about 5.5 percent, the DFW International Airport less than 11 percent, the Fort Worth Independent School District only about 5 percent, and the North Texas Tollway only about 6 percent.

- Although 23 percent of available CPS businesses were estimated to be MBEs, the City of San Antonio awarded only about 10.5 percent of prime CPS contract dollars to MBEs.

- Although almost 20 percent of available OPS businesses were estimated to be MBEs, the City of San Antonio awarded only about 11.5 percent of prime OPS contract dollars to MBEs.

- Although 27 percent of available CPS businesses were estimated to be MBEs, the San Antonio Water System awarded only 15 percent of prime CPS contract dollars to MBEs.

- Although almost 32 percent of available OPS businesses were estimated to be MBEs, the San Antonio Water System awarded only 15.5 percent of prime OPS contract dollars to MBEs.

- Although 23 percent of available construction businesses were estimated to be MBEs, the City of Houston awarded only about 5.5 percent of prime construction contract dollars to MBEs.

- Although 7 percent of available construction businesses were estimated to be MBEs, the Texas DOT awarded less than 1.5 percent of prime construction contract dollars to MBEs.

- Although over 28 percent of available OPS businesses were estimated to be MBEs, the Texas DOT awarded only about 10.5 percent of prime OPS contract dollars to MBEs.

- Although almost 14 percent of available construction businesses were estimated to be MBEs, other Texas State agencies awarded less than 9 percent of prime construction contract dollars to MBEs, state universities less than 4 percent, and state medical institutions less than 3 percent.

- Although over 28 percent of available OPS businesses were estimated to be MBEs, other Texas State agencies awarded less than 4 percent of prime OPS contract dollars to MBEs, state universities less than 6 percent, and state medical institutions only about 6 percent.

- In Utah:
    - Although 5 percent of available construction businesses were estimated to be MBEs, the Salt Lake City International Airport awarded less than two-tenths of once percent of prime construction contract dollars to MBEs.
    - Although 5 percent of available CPS businesses were estimated to be MBEs, the Salt Lake City International Airport awarded less than three-tenths of 1 percent of prime CPS contract dollars to MBEs.
- In Virginia:
    - Although almost 2 percent of available construction businesses were estimated to be MBEs in the 1998-2002 period, the Commonwealth of Virginia awarded only three-tenths of 1 percent of prime construction contract dollars to MBEs. By the 2006-2009 period, availability had increased to almost 7.5 percent, but prime construction contract dollars awarded to MBEs were still less than 1.5 percent.
    - Although almost 4 percent of available CPS businesses were estimated to be MBEs in the 1998-2002 period, the Commonwealth of Virginia awarded less than one-tenth of 1 percent of prime CPS contract dollars to MBEs. By the 2006-2009 period, availability had increased to almost 10 percent, but prime CPS contract dollars awarded to MBEs were still less than five-tenths of 1 percent.
    - Although almost 13 percent of available OPS businesses were estimated to be MBEs in the 2006-2009 period, the Commonwealth of Virginia awarded only about 2 percent of prime OPS contract dollars to MBEs.
    - Although over 2 percent of available construction businesses were estimated to be MBEs, the Virginia DOT awarded only about 1 percent of prime construction contract dollars to MBEs.
    - Although almost 6 percent of available CPS businesses were estimated to be MBEs, the Virginia DOT awarded less than 2 percent of prime CPS contract dollars to MBEs.
- In Washington:
    - Although 7 percent of available construction businesses were estimated to be MBEs, the Washington State DOT awarded only 1 percent of federally-funded prime construction contract dollars and only four-tenths of 1 percent of state-funded prime construction contract dollars to MBEs.
    - Although about 5.5 percent of available CPS businesses were estimated to be MBEs, the Washington State DOT awarded only 2.5 percent of federally-funded prime CPS contract dollars and only about 1 percent of state-funded prime CPS contract dollars to MBEs.

- In Wisconsin:
    - Although almost 34 percent of available construction businesses were estimated to be MBEs, the City of Milwaukee awarded less than 3 percent of prime construction contract dollars to MBEs.

In addition to evidence regarding disparities in public contracting, almost every study presented in Table 5 also included anecdotal evidence of discrimination impacting MBEs. This evidence was collected through a variety of methods, including personal interviews, public hearings, and surveys.[44]

Furthermore, many of these studies included statistical evidence of disparities in the surrounding private sector of a given public jurisdiction—disparities in minority business formation rates, disparities in business owner earnings, and disparities in access to commercial loans and capital. As mentioned earlier, this type of evidence is important since it helps explain why the large and adverse disparities observed for MBEs in Table 5 are more likely explained by discrimination than by other, non-discriminatory, factors. It is to this evidence that I turn next.

C. There is Strong Evidence of Disparities Consistent with Discrimination Throughout the U.S. in the Private Sector

As noted above in Section II.F, even the small number of instances in Table 5 where the disparity index exceeds 100 should not be construed as a lack of evidence of discrimination. This is because the public contracting statistics in question are impacted by the presence, in most instances, of a race-conscious contracting policy. Such policies impact prime contracting and subcontracting activity, not only as a result of participation goals and related demand-side procedures, but also as a result of technical assistance, bonding assistance, financial assistance, contract unbundling, small business set-asides, and other supply-side activities designed to promote the participation of MBEs in public contracting.

Given this, many studies also examine the evidence concerning how MBEs and their owners fare in the private sector, that is, economy-wide, where race- and gender-conscious contracting programs are relatively rare. Indeed a key rationale for the advent of public sector programs was public entities' need to avoid becoming passive participants in economy-wide private sector discrimination. Another reason for examining economy-wide evidence is to help understand that the effects of discrimination are likely to impede the development of MBEs, through, for example, barriers in accessing credit and capital.

There are several publicly available data sources that studies have used to test how MBEs and their owners fare in the absence of affirmative efforts to include them in contracting activity. These include the Census Bureau's SBO, PUMS, and ACS PUMS, as well as the *Survey of Small Business Finances*, produced jointly by the Federal Reserve Board and the SBA.

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[44] *See also, e.g., Kevcon, Inc. v. The United States*, Defendants Expert Report, ROTHE041702; U.S. Small Business Administration (2010), Aparicio (2009), Asian American Justice Center (2008), Lau (2009), Quon (2008), U.S. Congress (2007), (2008), (2009a), (2009b), and (2009c).

Below, I present evidence from each of these data sources. This evidence summarizes many of the studies I have conducted while at NERA as well as several congressional testimonies I have given. Similar evidence is found in other consultants' disparity studies as well.[45]

1. There is Strong Evidence of Disparities Between Utilization and Availability in the Survey of Business Owners

One important source of study data is the Census Bureau's *Survey of Business Owners* (SBO), performed every five years. The most recent data available from SBO is for 2007 and was released in 2011. According to these results, there are substantial disparities between the share of minorities in the general population and their share of the business population. Specifically:[46]

- Although Blacks comprised 14.0 percent of the population, they accounted for only 7.3 percent of the businesses.
- Although Hispanics comprised 16.3 percent of the population, they accounted for only 8.6 percent of the businesses.
- Although American Indians and Alaska Natives comprised 2.0 percent of the population, they accounted for only 0.9 percent of the businesses.
- Asians and Pacific Islanders comprised 6.2 percent of the population and accounted for only 6.0 percent of the businesses.

Moreover, the share of business sales and receipts accruing to minorities is far lower than their respective shares of the business population.

- Although Blacks comprised 7.3 percent of all U.S. businesses, they earned only 1.25 percent of sales and receipts.
- Although Hispanics comprised 8.6 percent of all businesses, they earned only 3.2 percent of sales and receipts.
- Although American Indians and Alaska Natives comprised 0.9 percent of all businesses, they earned only 0.31 percent of sales and receipts.
- Although Asians and Pacific Islanders comprised 6.0 percent of all businesses, they earned only 4.7 percent of sales and receipts.

These disparities between the size of the MBE population and its share of sales and receipts are very large. They are also statistically significant, meaning they are unlikely to result from chance alone.

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[45] See, *e.g.*, certain of the studies in Table 1 by Griffin & Strong, CRA Consulting, BBC Research & Consulting, and MGT of America, Inc.

[46] U.S. Census Bureau (2011a).

While the exact proportions vary, large and statistically significant disparities are observed in the U.S. as a whole, in all 50 states and the District of Columbia, for all minority groups—Blacks, Hispanics, Asians and Pacific Islanders, and Native Americans. These disparities are found in the construction sector, the professional and technical services sector (which includes CPS and OPS), and in the economy as a whole.

The disparities observed in the 2007 SBO are documented below in Appendix A, Tables A.1 through A.15. Similar data from the 2002 SBO is presented in Appendix B, Tables B.1 through B.15. Similar findings from current and past SBO reports appear in a number of the disparity studies identified in Table 1, including my own.

The most noticeable aspect of the statistics presented in Tables A.1 through A.15 is how many of the disparity indexes are large, adverse, and statistically significant.[47] This is true for Blacks, Hispanics, Asians and Pacific Islanders, and Native Americans. It is true in the construction sector, in the professional and technical services sector, and when considering all industries combined. It is true in all 50 states and the District of Columbia. While there is certainly variation by race, industry, and geography, as with the studies recounted in Table 5, the similarities strongly outweigh the differences. Table 6 provides a summary of the findings of disparity from the 2007 SBO for Tables A.1 through A.15.

Table 6. Summary Statistics Showing Prevalence of Disparities in the 2007 SBO (Tables A.1 to A.15).

Table Number	Industry	Number of Disparity Indexes in Table	Race Group	Fraction of Disparity Indexes Less than or Equal to 80	Fraction of Disparity Indexes Less than or Equal to 100	Fraction of Disparity Indexes That Are Statistically Significant
A.1	All Industries	96	Black	93%	97%	90%
A.6	Construction	84	Black	85%	90%	82%
A.11	Professional Services	92	Black	76%	88%	73%
A.2	All Industries	101	Hispanic	82%	90%	86%
A.7	Construction	95	Hispanic	87%	93%	78%
A.12	Professional Services	97	Hispanic	65%	75%	57%
A.3	All Industries	104	Asian	75%	96%	80%
A.8	Construction	84	Asian	71%	77%	54%
A.13	Professional Services	100	Asian	15%	28%	32%
A.5	All Industries	71	NHPI	86%	93%	72%
A.10	Construction	33	NHPI	73%	79%	58%
A.15	Professional Services	31	NHPI	52%	58%	39%
A.4	All Industries	94	AIAN	91%	98%	82%
A.9	Construction	74	AIAN	73%	85%	54%
A.14	Professional Services	79	AIAN	68%	80%	43%

Source and Note: Tables A.1 through A.15, below. "NHPI" stands for Native Hawaiians and Other Pacific Islanders, and "AIAN" stands for American Indians and Alaska Natives.

[47] With the SBO data, I measure statistical significance here using the "two standard deviation" or "5%" level of significance typically used in disparate impact litigation in employment and related areas.

Table 7 provides a similar summary for Tables B.1 through B.15 from the 2002 SBO survey. While the 2007 disparity statistics remain large, adverse, and statistically significant in the vast majority of categories, a comparison of Table 6 with Table 7 shows less disparity in most categories in 2007 compared with 2002.

Table 7. Summary Statistics Showing Prevalence of Disparities in the 2002 SBO (Tables B.1 to B.15).

Table Number	Industry	Number of Disparity Indexes in Table	Race Group	Fraction of Disparity Indexes Less than or Equal to 80	Fraction of Disparity Indexes Less than or Equal to 100	Fraction of Disparity Indexes That Are Statistically Significant
B.1	All Industries	100	Black	98%	100%	98%
B.6	Construction	69	Black	86%	88%	72%
B.11	Professional Services	86	Black	94%	98%	80%
B.2	All Industries	102	Hispanic	100%	100%	100%
B.7	Construction	85	Hispanic	88%	91%	81%
B.12	Professional Services	84	Hispanic	93%	94%	74%
B.3	All Industries	102	Asian	100%	100%	100%
B.8	Construction	58	Asian	74%	90%	53%
B.13	Professional Services	88	Asian	64%	77%	51%
B.5	All Industries	48	NHPI	100%	100%	96%
B.10	Construction	10	NHPI	70%	80%	50%
B.15	Professional Services	13	NHPI	92%	92%	85%
B.4	All Industries	96	AIAN	99%	99%	98%
B.9	Construction	74	AIAN	81%	91%	64%
B.14	Professional Services	71	AIAN	90%	92%	76%

Source and Note: Tables B.1 through B.15, below. "NHPI" stands for Native Hawaiians and Other Pacific Islanders, and "AIAN" stands for American Indians and Alaska Natives.

2. The Effects of Discrimination on Entrepreneurial Success

Large and adverse statistical disparities between minority-owned businesses and non-minority male-owned businesses, such as those shown above in Table 5 and below in Appendix A and Appendix B, have been documented in numerous studies and reports since the *Croson* decision, including those submitted to Congress.[48] Business outcomes, however, can be influenced by multiple factors, and disparity studies often test the likelihood that discrimination, rather than other non-discriminatory factors, is an important contributing factor to observed gross disparities.

One way that the linkage between statistical disparities and discrimination has been established is through the introduction of anecdotal or qualitative evidence. If the thrust of such anecdotal evidence is consistent with the statistical disparities observed, then the case for the linkage is

[48] In addition to Table 1, *see* the sources cited in footnotes 23 and 24.

strengthened accordingly. There are a vast number of anecdotal accounts of discrimination that have been submitted to Congress.[49]

Another way that the linkage between statistical disparities and discrimination has been established is to consider the size of the observed disparities. That is, the larger the disparity, the less likely it is that non-discriminatory factors can account for the entire difference. It is this straightforward observation that underpins the Equal Employment Opportunity Commission's longstanding "four-fifths rule" for triggering employment discrimination investigations.[50]

Many of the studies submitted to Congress have shown that various factors, such as firm age, size, bonding levels, *etc.*, are lower for minority-owned than for similarly situated non-minority male-owned firms. If discrimination has limited the access of MBEs to the tools needed to perform successfully as prime contractors and subcontractors, Congress rightly considers those effects in determining the need for race-conscious relief. At the least, these factors should not be used to limit the reach of the remedy for the discrimination that limits MBEs' ability to compete.

In his September 2008 testimony before Congress, Dr. Thomas Boston, author of two of the disparity studies that appear in Tables 1 and 4 (Georgia DOT and North Carolina DOT), noted:

> [T]here remains a tremendous disparity in the relative capacity and scale of minority owned businesses in comparison to businesses owned by whites. For example, minority groups comprise 32% of the US population but own just 11.6% of all US businesses with employees and earn only about 5% of US business revenue. Further, the average revenue of each business is about one half that of the average revenue of businesses owned by whites. The global nature of the world's economy is forcing upon small and minority-owned businesses the need to increase scale and capacity to compete successfully. Globalization has forced major corporations to reduce the number of firms they use in their supply chain. This means that each supplier must have a larger capacity. Likewise, there continues to be a persistent problem of government organizations bundling contracts. This makes it more difficult for small and minority businesses to gain access; unless they have scale and capacity.
>
> To achieve greater capacity minority businesses must move to the next level. Most often this requires external capital. Yet numerous studies have documented the racially discriminatory barriers minority firms encounter when pursuing debt and equity funding. Ken Cavalluzzo (1999) analyzed credit applications, loan denials and interest rates paid across gender, race and ethnic characteristics of the small business owners. He gathered data on businesses that applied for credit and those that did not apply because they felt their application would have been turned down. He found large unexplained differences in denial rates between Black and White male owned companies that could only be attributed to discrimination. Susan Coleman (2004) examined access to the capital for women and minority owned small firms and found that after controlling for differences in human capital characteristics of owners, minorities were significantly less likely to be

[49] *See, e.g.*, those items cited above at fn. 44.

[50] *See* fn. 38, *supra*.

> approved for loan requests and they were also significantly less likely to apply for loans because they assumed they would be denied. Karlyn Mitchell and Douglas Pearce (2005) found that Black and Hispanic firms are significantly less likely to receive bank loans than are white business owners.[51]

Further to Dr. Boston's point,[52] suppose that race and gender discrimination was ingrained in the nation's construction market. As a result, few if any minority construction employees ever receive an opportunity to gain managerial experience in the business; any minorities who do manage to start construction firms are denied the opportunity to work as subcontractors for non-minority male prime contractors; and non-minority male prime contractors place pressure on unions not to work with minority firms and on bonding companies and banks to prevent minority-owned construction firms from securing needed credit and capital. In this hypothetical example, discrimination has essentially prevented the emergence of a minority construction industry with any "capacity" whatsoever. Excluding firms from the determination of availability based on their capacity in such a discriminatory market would preclude the government from doing anything to rectify the continuing support of such a system with public dollars. There is no recognition that discrimination has prevented the emergence of "qualified, willing and able" minority firms. Without such firms, there can be no statistical disparity, and without a statistical disparity there can be no remedy.[53]

Moreover, in dynamic business environments, and especially in the construction sector, "qualifications" such as past experience, financial status, bonding capacity, *etc.*, can be obtained relatively easily. It is well known that small construction companies can expand rapidly as needs arise by hiring workers and renting equipment. Many general contractors subcontract the majority of a project.[54] Subcontracting is one important source of this elasticity, as has been noted by several academic studies. In their study of construction labor markets, Bourdon and Levitt, for example, observed that:

> One of the unique aspects of the construction industry is the prevalence of subcontracting. Construction projects are undertaken by a multitude of firms assembled for brief periods of time on a site then disbanded. General contractors can undertake projects of considerable scale without large amounts of direct labor or fixed capital; subcontractors can start with one or two employees and bid only on particularly highly specialized contracts.[55]

Eccles also noted the importance of subcontracting in construction.[56] He found that subcontracting could be explained as a response to uncertainty and complexity. He also found

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[51] *See* ROTHE10787.

[52] *See also* U.S. Department of Commerce, Minority Business Development Agency, *Characteristics of Minority Businesses and Entrepreneurs, An Analysis of the 2002 Survey of Business Owners* (2008).

[53] *See* Wainwright and Holt (2010), pp. 65-67.

[54] Indeed, the plaintiff has done a significant portion of its business with the federal government as a subcontractor to companies such as Raytheon, Lockheed Martin, and RSI . *See* www.rothe.com.

[55] Bourdon and Levitt (1980).

[56] Eccles (1981).

that the larger the project, the more subcontracting took place, and also that the more extensive the market was, the more subcontracting took place. Dowall and Barone draw a similar conclusion regarding the use of subcontractors.[57]

Academic studies have also found that, absent discrimination, entry into the construction industry is not difficult. Bourdon and Levitt attribute this to subcontracting opportunities.[58] Eccles observes that entry is easy based on the large number of small firms and that capital requirements for fixed assets are small.[59] Gould, who followed the careers of six construction contractors, also demonstrates ease of entry.[60] He also notes that there is movement between small and large firms not only via subcontracting, but also by experienced staff at larger firms leaving to form smaller new firms. Dowall and Barone, based on a survey of construction firms, note that there is "considerable diversification into other types of construction activities."[61]

Construction and many other markets are dynamic, facing boom and bust periods. In response, the capacity and qualifications of firms can be highly elastic. Firms can grow quickly when demand increases and shrink quickly when demand decreases. Therefore, focusing on the capacity of businesses in terms of employment, revenue, bonding capacity, pieces of equipment, and so forth, is wrong as a matter of economics and can potentially obscure the existence of discrimination. To see this, consider using revenue as the measure of qualifications. Revenues simply measure the value of contracts that firms are receiving. If minority-owned businesses are subject to market discrimination, their revenues will be smaller than non-minority male-owned businesses because they will be less successful at obtaining work. Using revenues as a measure of MBE availability in contracting is like using pay as a measure of qualifications in an equal-pay case. Revenues, like pay, measure the extent to which a firm has succeeded in the market—it does not measure the ability to succeed.

Further, once a disparity study has demonstrated a disparate impact, the traditional rebuttal would be to show that the gross disparities diminish substantially in size or statistical significance (or both) once other influential factors that are *unlikely to be correlated with discrimination* have been accounted for.[62] As I have already noted, however, most of the other factors are themselves strongly correlated with discrimination. This may help explain why in those cases where the experts for parties opposing race-conscious contracting programs have had

[57] Dowall and Barone (1993).

[58] Bourdon and Levitt (1980).

[59] Eccles (1981).

[60] Gould (1980).

[61] Dowall and Barone (1993).

[62] Connolly, et al. (2001), Chs. 2-3. In the present context, factors that are uncorrelated with discrimination are referred to as *exogenous* variables. Factors that are correlated with discrimination are referred to as *endogenous* variables. Only exogenous variables should be included as explanatory factors in a statistical model testing for disparities.

the opportunity to counter defendants' disparity studies with their own studies regarding capacity and qualifications, they have failed to do so.[63]

Finally, even in cases where qualification-type factors have been controlled for in statistical analyses, results consistent with business discrimination are often still observed. For example, in many of NERA's disparity studies, we demonstrated that large and statistically significant differences in commercial loan denial rates between minority and non-minority firms were evident even when detailed balance sheet and creditworthiness measures were held constant. Similarly, I and other economists have used the various PUMS and ACS PUMS data from the Census Bureau to examine whether disparities in business formation and business owner earnings between MBEs and non-MBEs remain large and statistically significant even after controlling for other factors available in the data including educational achievement, labor market experience, marital status, locational mobility, number of workers in the family, number of children, immigrant status, disability status, veteran status, interest and dividend income, labor market attachment, industry, geographic location, and local labor market variables such as the unemployment rate, population growth rate, government employment rate, and per capita income.[64]

For these reasons, it is improper to exclude firms based on the outcomes of discrimination, that is, based on the current capacity of MBEs to perform particular contracts. Noted labor economist and former U.S. Secretary of Labor Ray Marshall, in partnership with former Federal Reserve Board Governor Andrew Brimmer, conducted one of the first post-*Croson* disparity studies for the City of Atlanta in 1990. Marshall summarizes well the arguments against using the outcomes of discrimination to measure capacity:[65]

> The problem of establishing statistical proof of whether or not minority contractors are "qualified, willing and able" is particularly challenging. *Croson* provides limited guidance on this question.... Unfortunately, this lack of guidance has made it possible for courts and opponents of [race-conscious contracting] programs to argue that the failure to produce perfect statistical evidence—*i.e.*, timely and highly specific, and methodologies that control for everything except discrimination—invalidates these programs despite the fact that the most reliable statistics and the most appropriate methodologies confirm the persistence of discrimination. Our evidence for Atlanta suggests that even highly qualified black contractors are disadvantaged relative to similarly situated white contractors. ... It also is hard to know how to define the qualifications of businesses in dynamic markets where expertise can be purchased in the open market and where "virtual" companies are increasingly common. Once contractors are able to obtain contracts, they usually are able to expand their capacity.

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[63] I am not aware of any instance where plaintiffs have introduced their own disparity study to counter that submitted by a defendant. See, *e.g.*, *H.B. Rowe Co. v. Tippett*, 615 F.3d 233, at 246-47 (4th Cir. 2010) (acknowledging that plaintiff's expert George La Noue could not provide any statistical evidence to rebut that submitted by the State).

[64] *See, e.g.*, Wainwright (2000), 85-135. *See also* all of the NERA studies cited in Table 1, as well as selected studies from Griffin & Strong, CRA Consulting, BBC Research & Consulting, and MGT of America, Inc.

[65] Marshall (2002), 81-82.

> In a dynamic business environment, it would be difficult to argue, as some critics have, that qualifications are determined mainly by size. ... Moreover, as the Tenth Circuit Court of Appeals observed in *Adarand VII*, there is no credible evidence that minority contractors who have been hired under [race-conscious contracting] programs have lacked adequate qualifications.
>
> Nevertheless, analyses of available data for business owners that enable personal characteristics and other factors to be controlled for [generate results that are] compatible with racial exclusion. There therefore is no credible evidence that the large disparities in the utilization of minority contractors can be explained by the lack of qualifications or the unwillingness to contract. Indeed, strong historical, anecdotal and survey evidence ... demonstrates that minority contractors are more willing than white males to contract with governmental entities, even though they recognize that public contracting is less desirable than the mainstream private sector, where their opportunities are greatly restricted. The greater participation of minorities is compatible with the concept of "crowding" .... This is all the more reason not to use participation in these sectors as a measure of discrimination and why broader market areas are more appropriate.

3. There is Strong Evidence of Disparities Consistent with Discrimination in Minority Business Formation Rates and Business Owner Earnings

It is fair to ask whether the disparities documented in the SBO data or in Table 5 result primarily from discrimination, either past, present or both, or whether they result from other, potentially non-discriminatory, factors. Many disparity studies[66] have put such questions to the test using the PUMS or ACS PUMS. The advantage of these data sources is that they allow us to examine racial disparities while holding other, potentially non-discriminatory, factors constant, such as industry, geography, education, and age.[67]

Like the SBO, these data sources typically show large and statistically significant disparities between the percentage of minorities who choose to form businesses and the percentage of comparable non-minority males who do the same. Such disparities are observed for the nation as a whole and throughout the states, and in the economy as a whole as well as across different industry sectors, including construction, CPS, OPS, and, as we shall see in the next section, in the specific industries within which the plaintiff operates.

In my own studies,[68] I have found that even when other non-discriminatory attributes are held constant using the statistical technique of regression analysis,[69] the disparities in business

[66] In addition to the NERA studies cited in Table 1, *see also* certain of the studies by Griffin & Strong, CRA Consulting, BBC Research & Consulting, and MGT of America, Inc.

[67] I have also tested the hypothesis, with similar results, including additional factors such as marital and family status, immigration status, ability to speak English, military service and veteran status, disability status, and asset levels. *See* Wainwright (2000).

[68] All of the disparity studies represented in Tables 8–13 have been submitted to Congress with the exception of the 2012 studies for the City of Houston and the Missouri DOT and the 2010 study for the State of Massachusetts. All of these studies also appear in Table 5.

formation rates between Blacks, Hispanics, Asians and Pacific Islanders, and Native Americans, on the one hand, and their non-minority male counterparts, on the other, tend to remain large, adverse, and statistically significant.

As shown below in Table 8, which includes all industries, out of the 90 cases included, 68 show statistically significant disparities against MBEs of less than or equal to 80 (76 percent), and 84 show statistically significant disparities against MBEs of less than 100 (93 percent).

The experiment is repeated in Table 9 for business formation rates in construction and CPS. Out of the 90 cases included in Table 9, 79 show statistically significant disparities against MBEs of less than or equal to 80 (88 percent), and 82 show statistically significant disparities against MBEs of less than 100 (91 percent).

Table 10 provides comparable results for business formation rates in goods and other services industries. Out of the 90 cases included in Table 10, 70 show statistically significant disparities against MBEs of less than or equal to 80 (78 percent), and 80 show statistically significant disparities against MBEs of less than 100 (89 percent).

Even for those minority entrepreneurs who manage against the odds to form their own businesses, their earnings from those businesses tend to lag far behind their non-minority male counterparts. As shown below in Table 11, out of the 90 cases examined, 89 exhibited statistically significantly lower earnings for minority business owners (99 percent). Minority business owner earnings across all industries average 23 percent lower than their non-minority male counterparts, again even when other non-discriminatory attributes are held constant.

Table 12 repeats the experiment for construction and CPS. Out of the 90 cases examined, 86 exhibited statistically significantly lower earnings for minority business owners (96 percent). Minority business owner earnings in construction and CPS are, on average, 22 percent lower than their non-minority male counterparts.

Finally, Table 13 provides comparable results for business owner earnings in goods and other services industries. Out of the 90 cases examined, 88 exhibited statistically significantly lower earnings for minority business owners (98 percent). Minority business owner earnings in these industries are, on average, 24 percent lower than their non-minority male counterparts.

In conclusion, the evidence gathered from the PUMS and ACS PUMS data, as documented below in Tables 8-13 and in other consultants' disparity studies as well, strongly suggests that business discrimination is the primary explanation for the disparities observed in Appendix Tables A.1 through B.15 and in Table 5.

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[69] Regression analysis is a type of statistical analysis that examines the correlation between two variables ("regression") or three or more variables ("multiple regression" or "multivariate regression") in a mathematical model by determining the line of best fit through a series of data points. In simpler terms, regression analysis is a statistical technique allowing the comparison between certain business outcomes, such as business formation, business earnings, or loan denials, and minority status, while holding other, potentially non-discriminatory factors, such as geographic location, industry affiliation, education, age, or balance sheets, constant.

Table 8. Actual and Potential Minority Business Formation Rates, All Industries, Selected Disparity Studies from Table 1.

Race, Location	Business Formation Rate (%)	Expected Business Formation Rate (%)	Disparity Index
	(1)	(2)	(3)
Minneapolis-St. Paul, MN MSA (†)			
Black	4.7	8.9	52.5
Hispanic	5.9	9.1	64.9
Asian	7.2	9.0	80.1
Native American	2.2	4.9	45.1
MBE	5.7	7.8	73.0
Minnesota			
Black	3.2	10.1	31.7
Hispanic	4.1	10.1	40.6
Asian	4.9	9.1	53.8
Native American	5.1	11.6	44.0
MBE	4.0	9.9	40.9
Augusta-Richmond County, GA-SC			
Black	3.5	8.0	43.8
Hispanic	9.1	14.2	64.1
Asian	18.8	20.3	92.6
Native American	6.4	9.8	65.3
MBE	5.1	8.8	58.3
Austin, TX MSA			
Black	4.7	9.4	50.0
Hispanic	6.4	10.0	64.0
Asian	6.7	8.3	80.7
Native American	6.9	10.2	67.6
MBE	6.4	10.1	62.8
Chicago, IL MSA			
Black	4.9	9.4	52.1
Hispanic	4.0	7.5	53.3
Asian	9.0	10.5	85.7
Native American	5.7	9.1	62.6
MBE	5.3	8.4	63.1
Cleveland, OH MSA (†)			
Black	4.6	8.8	52.5
Hispanic	6.6	7.1	92.9
Asian	9.8	8.6	n/a
Native American	8.0	10.7	74.7
MBE	5.6	9.0	62.2
Denver, CO MSA			
Black	6.1	10.6	57.5
Hispanic	4.4	7.9	55.7
Asian	10.9	12.4	87.9
Native American	4.7	8.1	58.0
MBE	5.7	9.3	60.9

Race, Location	Business Formation Rate (%)	Expected Business Formation Rate (%)	Disparity Index
	(1)	(2)	(3)
Hawaii (†)			
Black	6.7	10.9	61.3
Hispanic	11.7	14.9	78.6
Asian	10.8	15.7	68.8
Native American	6.3	13.5	46.7
MBE	10.4	15.7	66.2
Houston, TX MSA (†)			
Black	6.1	7.5	81.3
Hispanic	9.8	9.9	99.0
Asian	10.6	10.6	n/a
Native American	15.1	9.3	n/a
MBE	9.0	9.6	93.5
Maryland-DC-N. VA			
Black	5.2	8.1	64.2
Hispanic	7.2	8.8	81.8
Asian	11.2	10.2	n/a
Native American	5.1	8.5	60.0
MBE	7.0	9.0	76.9
Maryland-DC-N. VA (†)			
Black	5.0	9.2	54.2
Hispanic	8.0	12.3	64.9
Asian	10.3	12.1	85.1
Native American	10.8	13.5	80.0
MBE	7.5	11.6	64.4
Massachusetts			
Black	4.0	8.5	47.1
Hispanic	4.4	7.9	55.7
Asian	5.6	8.9	62.9
Native American	9.1	12.5	72.8
MBE	5.0	8.7	58.0
Memphis, TN-MS-AR MSA			
Black	5.3	6.3	84.1
Hispanic	10.7	8.5	n/a
Asian	6.5	8.1	80.2
Native American	6.5	9.8	66.3
MBE	5.7	8.0	71.1
Miami-Ft. Lauderdale, FL (†)			
Black	4.8	9.0	53.2
Hispanic	6.2	9.4	65.8
Asian	9.0	10.8	83.4
Native American	8.2	10.9	75.1
MBE	6.3	9.7	64.9

Race, Location	Business Formation Rate (%)	Expected Business Formation Rate (%)	Disparity Index
	(1)	(2)	(3)
Missouri (††)			
Black	4.2	8.2	51.2
Hispanic	7.2	9.3	77.3
Asian	10.9	9.6	n/a
Native American	7.0	9.7	72.0
MBE	6.1	8.9	68.5
New York (†)			
Black	5.4	10.2	52.8
Hispanic	8.7	11.9	73.0
Asian	10.6	12.0	88.3
Native American	8.7	11.4	76.2
MBE	8.0	12.1	65.9
Utah			
Black	4.8	9.3	51.6
Hispanic	4.1	9.2	44.6
Asian	8.0	10.2	78.4
Native American	4.6	10.0	46.0
MBE	5.1	8.7	58.1
Washington State			
Black	5.7	10.4	54.8
Hispanic	5.9	11.4	51.8
Asian	9.3	9.8	94.9
Native American	8.0	11.3	70.8
MBE	7.4	10.4	71.8

Notes: Universe is all private sector labor force participants between age 16 and 64. All results are statistically significant at a 5 percent level or better. The figure in column (1) is the average self-employment rate weighted using population-based person weights. The figure in column (2) is derived by inflating the figure in column (1) according to the corresponding coefficient from the business formation regression analysis, which is derived holding constant industry, geography, education, and age. The coefficient represents the percentage point probability difference in business formation rates between a given group and non-minority males, evaluated at the mean business ownership rate for the estimation sample. Column (3) is column (1) divided by column (2), before rounding. "n/a" indicates no adverse disparity was observed. If there is parity in the relevant market, then the Disparity Index will equal 100, because the expected business formation rate (that is, the business formation rate that would be observed in a non-discriminatory market) will be equivalent to the actual business formation rate. In cases where adverse disparities are present in the relevant market, the Disparity Index will be less than 100, because expected business formation rates will exceed actual business formation rates. "MSA" stands for Metropolitan Statistical Area. Source: 2000 Decennial Census Five Percent PUMS, unless otherwise indicated. (†): Source is 2006-2008 ACS PUMS. (††): Source is 2006-2010 ACS PUMS.

Table 9. Actual and Potential Minority Business Formation Rates, Construction and CPS Industries, Selected Disparity Studies from Table 1.

Race, Location	Business Formation Rate (%)	Expected Business Formation Rate (%)	Disparity Index
	(1)	(2)	(3)
Minneapolis-St. Paul, MN MSA (†)			
Black	0.0	9.2	0.0
Hispanic	20.0	27.8	71.9
Asian	10.5	16.7	62.9
Native American	0.0	7.9	0.0
MBE	15.1	23.1	65.4
Minnesota			
Black	4.6	14.3	32.2
Hispanic	11.5	19.1	60.2
Asian	16.1	21.8	73.9
Native American	6.5	14.5	44.8
MBE	10.7	18.7	57.3
Augusta-Richmond County, GA-SC			
Black	6.9	16.6	41.6
Hispanic	36.7	50.7	72.4
Asian	0.0	5.7	0.0
Native American	0.0	8.0	0.0
MBE	10.9	24.4	44.5
Austin, TX MSA			
Black	17.7	27.4	64.6
Hispanic	10.8	18.4	58.7
Asian	18.6	24.2	76.9
Native American	39.3	46.9	83.8
MBE	11.5	19.4	59.2
Chicago, IL MSA			
Black	20.2	16.0	n/a
Hispanic	10.5	18.1	58.0
Asian	9.9	15.6	63.5
Native American	8.0	16.0	50.0
MBE	12.6	16.5	76.8
Cleveland, OH MSA (†)			
Black	21.0	30.2	69.5
Hispanic	39.2	17.8	n/a
Asian	10.1	16.3	61.9
Native American	50.7	58.6	86.5
MBE	22.3	30.3	73.6
Denver, CO MSA			
Black	30.3	23.4	n/a
Hispanic	7.3	19.8	36.9
Asian	12.4	18.1	68.5
Native American	3.3	11.3	29.2
MBE	9.2	17.1	53.7

Race, Location	Business Formation Rate (%)	Expected Business Formation Rate (%)	Disparity Index
	(1)	(2)	(3)
Hawaii (†)			
Black	29.6	38.8	76.3
Hispanic	23.4	31.2	75.0
Asian	11.8	28.7	41.2
Native American	12.9	34.5	37.4
MBE	15.3	32.0	47.8
Houston, TX MSA (†)			
Black	12.1	21.2	57.0
Hispanic	15.9	14.3	n/a
Asian	14.2	20.2	70.3
Native American	19.6	27.5	71.3
MBE	15.5	13.9	n/a
Maryland-DC-N. VA			
Black	11.3	21.1	53.6
Hispanic	7.1	14.7	48.3
Asian	16.8	14.6	n/a
Native American	7.2	15.2	47.4
MBE	10.3	18.3	56.3
Maryland-DC-N. VA (†)			
Black	22.2	31.4	70.7
Hispanic	12.3	24.0	51.2
Asian	13.4	19.6	68.4
Native American	14.2	22.1	64.3
MBE	13.3	24.1	55.2
Massachusetts			
Black	14.0	23.7	59.1
Hispanic	14.9	22.5	66.2
Asian	21.0	26.7	78.7
Native American	23.8	31.8	74.8
MBE	18.4	26.4	69.7
Memphis, TN-MS-AR MSA			
Black	14.6	24.3	60.1
Hispanic	12.6	20.2	62.4
Asian	0.0	5.6	0.0
Native American	28.8	36.4	79.1
MBE	13.4	21.3	62.9
Miami-Ft. Lauderdale, FL (†)			
Black	0.0	9.2	0.0
Hispanic	19.1	26.9	71.0
Asian	10.0	16.2	61.7
Native American	0.0	7.9	0.0
MBE	16.0	24.0	66.9

Race, Location	Business Formation Rate (%)	Expected Business Formation Rate (%)	Disparity Index
	(1)	(2)	(3)
Missouri (††)			
Black	21.5	30.3	71.0
Hispanic	12.1	19.2	63.0
Asian	21.9	10.0	n/a
Native American	27.6	22.2	n/a
MBE	18.1	20.5	88.4
New York (†)			
Black	16.6	25.8	64.4
Hispanic	14.6	22.4	65.2
Asian	17.7	24.0	73.7
Native American	18.1	26.0	69.6
MBE	15.4	23.4	65.9
Utah			
Black	15.9	25.7	61.9
Hispanic	6.4	20.4	31.4
Asian	8.9	14.6	61.0
Native American	5.7	13.6	41.9
MBE	7.0	20.6	34.2
Washington State			
Black	5.5	25.5	21.6
Hispanic	10.5	18.1	58.0
Asian	13.4	19.0	70.5
Native American	13.3	20.9	63.6
MBE	10.7	18.7	57.5

Notes and Sources: See Table 8.

Table 10. Actual and Potential Minority Business Formation Rates, Other Services and Goods Industries, Selected Disparity Studies from Table 1.

Race, Location	Business Formation Rate (%)	Expected Business Formation Rate (%)	Disparity Index
	(1)	(2)	(3)
Minneapolis-St. Paul, MN MSA (†)			
Black	4.8	10.1	47.3
Hispanic	4.5	7.5	60.1
Asian	7.2	9.9	72.6
Native American	2.3	5.1	44.7
MBE	5.2	6.7	77.7
Minnesota			
Black	3.2	9.4	34.0
Hispanic	3.6	9.3	39.0
Asian	4.8	8.8	54.2
Native American	4.9	10.7	46.1
MBE	4.0	9.5	42.7
Augusta-Richmond County, GA-SC			
Black	3.4	7.5	44.8
Hispanic	5.8	9.0	64.7
Asian	20.1	21.4	93.7
Native American	7.0	10.0	70.0
MBE	4.8	8.1	58.9
Austin, TX MSA			
Black	4.2	8.5	49.5
Hispanic	5.6	7.4	75.3
Asian	6.5	7.9	81.9
Native American	3.6	6.6	54.9
MBE	5.7	7.9	71.7
Chicago, IL MSA			
Black	4.4	7.8	55.7
Hispanic	3.5	6.6	52.3
Asian	8.9	10.3	86.9
Native American	5.4	8.4	64.3
MBE	4.9	8.2	59.7
Cleveland, OH MSA (†)			
Black	4.0	7.4	53.9
Hispanic	4.9	7.9	62.0
Asian	9.8	8.8	n/a
Native American	6.7	9.4	70.1
MBE	4.9	7.9	62.1
Denver, CO MSA			
Black	5.0	9.1	54.5
Hispanic	3.8	8.3	45.5
Asian	10.8	10.4	n/a
Native American	4.9	7.9	62.0
MBE	5.2	8.5	60.9

Race, Location	Business Formation Rate (%)	Expected Business Formation Rate (%)	Disparity Index
	(1)	(2)	(3)
Hawaii (†)			
Black	5.3	10.6	49.8
Hispanic	9.4	12.4	75.8
Asian	10.7	17.1	62.5
Native American	4.7	13.0	36.0
MBE	9.8	14.3	68.4
Houston, TX MSA (†)			
Black	5.7	7.3	78.2
Hispanic	8.2	7.2	n/a
Asian	10.3	9.2	n/a
Native American	14.5	8.0	n/a
MBE	7.8	8.9	87.7
Maryland-DC-N. VA			
Black	4.8	7.6	63.2
Hispanic	7.2	7.8	92.1
Asian	10.9	10.1	n/a
Native American	4.8	7.8	61.3
MBE	6.6	8.5	77.9
Maryland-DC-N. VA (†)			
Black	4.2	9.5	44.4
Hispanic	6.9	11.1	62.3
Asian	10.1	12.8	79.0
Native American	10.2	13.0	78.4
MBE	6.6	10.1	65.5
Massachusetts			
Black	3.6	7.8	46.5
Hispanic	4.0	7.2	55.8
Asian	5.1	8.0	63.5
Native American	7.2	5.7	n/a
MBE	4.5	7.8	57.5
Memphis, TN-MS-AR MSA			
Black	4.9	4.9	n/a
Hispanic	10.0	6.0	n/a
Asian	6.7	8.1	82.4
Native American	0.0	3.0	0.0
MBE	5.3	6.5	80.2
Miami-Ft. Lauderdale, FL (†)			
Black	4.9	10.2	48.0
Hispanic	5.1	8.2	62.2
Asian	9.0	11.7	76.9
Native American	8.2	11.0	74.5
MBE	5.8	7.5	77.0

Race, Location	Business Formation Rate (%)	Expected Business Formation Rate (%)	Disparity Index
	(1)	(2)	(3)
Missouri (††)			
Black	3.6	8.7	41.0
Hispanic	6.6	9.6	68.7
Asian	10.6	9.6	n/a
Native American	4.7	7.6	61.8
MBE	5.4	8.2	77.9
New York (†)			
Black	4.8	10.1	47.6
Hispanic	7.7	10.8	71.2
Asian	10.3	12.0	85.8
Native American	7.4	10.2	72.5
MBE	7.2	10.2	70.6
Utah			
Black	4.0	8.1	48.9
Hispanic	3.7	6.9	54.1
Asian	6.9	8.3	83.7
Native American	4.4	7.4	59.4
MBE	4.8	8.1	59.2
Washington State			
Black	5.7	8.3	69.0
Hispanic	5.6	10.8	51.5
Asian	9.1	9.6	94.8
Native American	7.4	10.4	71.6
MBE	7.2	10.0	72.5

Notes and Sources: See Table 8.

Table 11. Minority Business Owner Earnings Disparities, All Industries, Selected Disparity Studies from Table 1.

Race, Location	Business Earnings Deficit (%)
	(1)
Minneapolis-St. Paul, MN MSA (†)	
Black	-40.0
Hispanic	-23.1
Asian	-9.3
Native American	-35.8
MBE	-26.8
Minnesota	
Black	-28.0
Hispanic	-18.7
Asian	-3.5
Native American	-38.0
MBE	-26.1
Augusta-Richmond County, GA-SC	
Black	-27.9
Hispanic	-18.6
Asian	-3.5
Native American	-38.0
MBE	-19.9
Austin, TX MSA	
Black	-30.0
Hispanic	-19.0
Asian	-4.1
Native American	-38.4
MBE	-20.9
Chicago, IL MSA	
Black	-28.4
Hispanic	-19.0
Asian	n/a
Native American	-38.1
MBE	-20.3
Cleveland, OH MSA (†)	
Black	-40.0
Hispanic	-23.0
Asian	-9.3
Native American	-35.8
MBE	-26.7
Denver, CO MSA	
Black	-28.0
Hispanic	-18.7
Asian	-3.6
Native American	-38.0
MBE	-3.5

Race, Location	Business Earnings Deficit (%)
	(1)
Hawaii (†)	
Black	-40.0
Hispanic	-23.0
Asian	-28.5
Native American	-82.3
MBE	-26.7
Houston, TX MSA (†)	
Black	-40.1
Hispanic	-23.2
Asian	-9.5
Native American	-35.8
MBE	-26.8
Maryland-DC-N. VA	
Black	-27.9
Hispanic	-18.8
Asian	-3.8
Native American	-38.0
MBE	-19.9
Maryland-DC-N. VA (†)	
Black	-40.0
Hispanic	-23.0
Asian	-9.3
Native American	-35.8
MBE	-26.7
Massachusetts	
Black	-28.0
Hispanic	-18.7
Asian	-3.5
Native American	-38.0
MBE	-19.9
Memphis, TN-AR-MS MSA	
Black	-30.1
Hispanic	-19.0
Asian	-4.1
Native American	-38.4
MBE	-21.0
Miami-Ft. Lauderdale, FL MSA (†)	
Black	-40.0
Hispanic	-23.1
Asian	-9.3
Native American	-35.8
MBE	-26.8

Race, Location	Business Earnings Deficit (%)
	(1)
Missouri (††)	
Black	-39.0
Hispanic	-22.5
Asian	-10.3
Native American	-38.7
MBE	-26.4
New York (†)	
Black	-40.1
Hispanic	-32.2
Asian	-9.3
Native American	-35.8
MBE	-26.9
Utah	
Black	-28.0
Hispanic	-18.7
Asian	-3.5
Native American	-38.0
MBE	-19.9
Washington State	
Black	-30.0
Hispanic	-19.0
Asian	-4.1
Native American	-38.4
MBE	-21.2

Notes: Universe is all persons in the private sector between age 16 and 64 with positive annual business earnings. The reported number is the percentage difference in annual business earnings between a given group and non-minority males, holding constant industry, geography, education, and age. All results are statistically significant at a 5 percent level or better. "n/a" indicates no adverse disparity was observed. Source: 2000 Decennial Census Five Percent PUMS, unless otherwise indicated. (†): Source is 2006-2008 ACS PUMS. (††): Source is 2006-2010 ACS PUMS.

Table 12. Minority Business Owner Earnings Disparities, Construction and CPS Industries, Selected Disparity Studies from Table 1.

Race, Location	Business Earnings Deficit (%)
	(1)
Minneapolis-St. Paul, MN MSA (†)	
Black	-43.2
Hispanic	-15.9
Asian	-17.3
Native American	-31.2
MBE	-24.3
Minnesota	
Black	-29.0
Hispanic	-14.5
Asian	-5.6
Native American	-36.7
MBE	-18.4
Augusta-Richmond County, GA-SC	
Black	-28.8
Hispanic	-14.3
Asian	-5.5
Native American	-36.8
MBE	-18.5
Austin, TX MSA	
Black	-33.8
Hispanic	n/a
Asian	-6.9
Native American	-35.3
MBE	-20.0
Chicago, IL MSA	
Black	-29.2
Hispanic	-14.7
Asian	-5.7
Native American	-36.8
MBE	-18.7
Cleveland, OH MSA (†)	
Black	-43.3
Hispanic	-15.9
Asian	-17.3
Native American	-31.9
MBE	-24.3
Denver, CO MSA	
Black	-29.0
Hispanic	n/a
Asian	-5.7
Native American	-36.8
MBE	n/a

Race, Location	Business Earnings Deficit (%)
	(1)
Hawaii (†)	
Black	-43..2
Hispanic	-15.9
Asian	-15.3
Native American	-31.2
MBE	-24.0
Houston, TX MSA (†)	
Black	-43.3
Hispanic	-16.0
Asian	-17.5
Native American	-31.2
MBE	-24.8
Maryland-DC-N. VA	
Black	-28.8
Hispanic	-14.6
Asian	-6.0
Native American	-36.7
MBE	-18.6
Maryland-DC-N. VA (†)	
Black	-43.2
Hispanic	-15.9
Asian	-17.3
Native American	-31.2
MBE	-24.5
Massachusetts	
Black	-29.0
Hispanic	-14.4
Asian	-5.5
Native American	-36.7
MBE	-18.4
Memphis, TN-AR-MS MSA	
Black	-34.0
Hispanic	-14.8
Asian	-6.9
Native American	-35.4
MBE	-19.7
Miami-Ft. Lauderdale, FL MSA (†)	
Black	-43.2
Hispanic	-15.9
Asian	-17.3
Native American	-31.2
MBE	-24.3

Race, Location	Business Earnings Deficit (%)
	(1)
Missouri (††)	
Black	-41.6
Hispanic	-17.4
Asian	-16.5
Native American	n/a
MBE	-24.2
New York (†)	
Black	-43.4
Hispanic	-14.3
Asian	-13.5
Native American	-31.1
MBE	-35.6
Utah	
Black	-29.0
Hispanic	-14.5
Asian	-5.6
Native American	-36.7
MBE	-18.5
Washington State	
Black	-33.8
Hispanic	-14.7
Asian	-6.9
Native American	-35.4
MBE	-20.2

Notes and Sources: See Table 11.

Table 13. Minority Business Owner Earnings Disparities, Other Services and Goods Industries, Selected Disparity Studies from Table 1.

Race, Location	Business Earnings Deficit (%)
	(1)
Minneapolis-St. Paul, MN MSA (†)	
Black	-39.7
Hispanic	-25.1
Asian	-8.9
Native American	-36.8
MBE	-27.4
Minnesota	
Black	-31.5
Hispanic	-23.1
Asian	-5.7
Native American	-42.0
MBE	-23.3
Augusta-Richmond County, GA-SC	
Black	-27.5
Hispanic	-19.5
Asian	-3.3
Native American	-38.4
MBE	-19.9
Austin, TX MSA	
Black	-29.3
Hispanic	-38.6
Asian	-3.7
Native American	-39.0
MBE	-20.9
Chicago, IL MSA	
Black	-27.6
Hispanic	-20.1
Asian	n/a
Native American	-37.9
MBE	-20.4
Cleveland, OH MSA (†)	
Black	-39.7
Hispanic	-25.0
Asian	-8.7
Native American	-36.9
MBE	-27.2
Denver, CO MSA	
Black	-27.7
Hispanic	-19.6
Asian	-3.4
Native American	-38.1
MBE	-20.0

Race, Location	Business Earnings Deficit (%)
	(1)
Hawaii (†)	
Black	-39.6
Hispanic	-25.0
Asian	-30.3
Native American	-37.8
MBE	-27.2
Houston, TX MSA (†)	
Black	-39.4
Hispanic	-25.2
Asian	-8.5
Native American	-37.1
MBE	-27.2
Maryland-DC-N. VA	
Black	-26.7
Hispanic	-19.8
Asian	-3.8
Native American	-38.4
MBE	-19.9
Maryland-DC-N. VA (†)	
Black	-43.5
Hispanic	-29.6
Asian	-12.0
Native American	-40.1
MBE	-27.2
Massachusetts	
Black	-27.5
Hispanic	-19.7
Asian	-3.1
Native American	-38.4
MBE	-20.0
Memphis, TN-AR-MS MSA	
Black	-29.5
Hispanic	-19.8
Asian	-3.7
Native American	-39.0
MBE	-21.0
Miami-Ft. Lauderdale, FL MSA (†)	
Black	-39.6
Hispanic	-25.1
Asian	-8.7
Native American	-37.0
MBE	-27.3

Race, Location	Business Earnings Deficit (%)
	(1)
Missouri (††)	
Black	-38.9
Hispanic	-24.1
Asian	n/a
Native American	-51.0
MBE	-26.9
New York (†)	
Black	-42.7
Hispanic	-28.9
Asian	-13.1
Native American	-44.2
MBE	-27.6
Utah	
Black	-27.5
Hispanic	-19.5
Asian	-3.3
Native American	-38.4
MBE	-19.9
Washington State	
Black	-29.2
Hispanic	-20.0
Asian	-4.0
Native American	-39.0
MBE	-21.1

Notes and Sources: See Table 11.

4. There is Strong Evidence of Disparities Consistent with Discrimination in Minority Business Formation Rates and Business Owner Earnings in the Information Technology Services and Facilities Management Industries

In this section, I repeat the statistical analyses of minority business formation and minority business owner earnings for the information technology services and facilities management services industries, which the plaintiff identifies as being their primary lines of work.[70]

For this analysis, I relied on the recently released ACS PUMS for 2007-2011,[71] supplemented with the previously released ACS PUMS data for 2005-2006. I restricted the observations in the dataset I prepared to those with a Census industry code of 7380 ("Computer Systems Design and Related Services"), corresponding to NAICS industry group 5415 ("Computer Systems Design

[70] As noted above, although not mentioned in Mr. Patenaude's affidavit, another significant line of work for the plaintiff, judging from their website, appears to be equipment calibration and testing, which is included in the CPS sector. See fn. 29, above, and the accompanying discussion.

[71] The data were released in December 2012.

and Related Services"), and Census industry code of 7780 ("Other administrative and other support services"), corresponding to NAICS sub-sector 561 ("Administrative and support services"), which includes NAICS industry group 5612 ("Facilities Support Services)".

a. Business Formation Analysis

To assess the extent of business formation disparities in the plaintiff's lines of work, I ran three sets of regression analyses. In the first analysis, the only independent variables included in the analysis were indicators for race and sex. Such a model yields the raw differences in business formation rates between minorities and non-minority males, holding nothing else constant. These are reported below in Table 14, under the heading "Regression Model A."[72]

The results for Model A show that large, adverse, and statistically significant disparities in business formation rates are observed in the plaintiff's lines of work in recent years for all minority groups with the exception of Native Americans.[73]

- For Blacks, the observed self-employment rate is 8.33 percent and the model predicts that it would be 7.1 percentage points higher—15.47 percent—if Blacks faced the same market outcomes as non-minority males. This yields a disparity index of 53.9.

- For Hispanics, the observed self-employment rate is 9.92 percent and the model predicts that it would be 4.5 percentage points higher—14.42 percent—if Hispanics had faced the same market outcomes as non-minority males. This yields a disparity index of 68.8.

- For Asians, the observed self-employment rate is 6.87 percent and the model predicts that it would be 8.1 percentage points higher—14.97 percent—if Asians faced the same market outcomes as non-minority males. This yields a disparity index of 45.9.

- For minorities as a group, the observed self-employment rate is 8.19 percent and the model predicts that it would be 7.4 percentage points higher—15.57 percent—if minorities faced the same market outcomes as non-minority males. This yields a disparity index of 52.6.

In Model B, I add several indicators of qualifications and capacity to the regression equation, including educational attainment, state of residence, and the age (which is a proxy for labor market experience). The results for Model B show that large, adverse, and statistically significant disparities in business formation rates remain even when we compare individuals that are similarly-situated in terms of their educational attainments, their geographic location, and their labor market experience.

[72] Except as noted, all the results discussed below were statistically significant.

[73] The results for Native Americans are not statistically significant in any of the models. The number of observations in the dataset for Native Americans is very small compared with those for Blacks, Hispanics, Asians, and non-minority males.

- For Blacks, model B still predicts a self-employment rate that would be 6.0 percentage points higher—14.37 percent—if they faced the same market outcomes as non-minority males, yielding a disparity index of 58.0.

- For Hispanics, model B still predicts a self-employment rate that would be 4.0 percentage points higher—14.37 percent—if they faced the same market outcomes as non-minority males, yielding a disparity index of 71.3.

- For Asians, model B still predicts a self-employment rate that would be 7.2 percentage points higher—14.06 percent—if they faced the same market outcomes as non-minority males, yielding a disparity index of 48.9.

- For minorities as a group, model B still predicts a self-employment rate that would be 6.3 percentage points higher—14.52 percent—if they faced the same market outcomes as non-minority males, yielding a disparity index of 56.4.

- In Model C, I include numerous additional factors in the regression equation, including the dollar value of interest and dividend income from the prior year, whether the person is married with their spouse present, whether they lived in the same house one year prior (non-movers), the number of workers in their family, the number of children present in the household, whether their home is owned free and clear, their home's property value (zero for renters), whether they are foreign born, whether they speak English well, and whether they are a veteran. I also include four variables measuring local macroeconomic conditions by state—the general population level, the unemployment rate, the number of full-time government employees, and per capita personal income.[74]

The results for Model C show:

- For Blacks, model C predicts a self-employment rate that would be 5.7 percentage points higher—14.07 percent—if they faced the same market outcomes as non-minority males, yielding a disparity index of 59.2.

- For Hispanics, model C predicts a self-employment rate that would be 3.77 percentage points higher—13.69 percent—if they faced the same market outcomes as non-minority males, yielding a disparity index of 72.4.

- For Asians, model C predicts a self-employment rate that would be 6.81 percentage points higher—13.68 percent—if they faced the same market outcomes as non-minority males, yielding a disparity index of 50.2.

- For minorities as a group, model C predicts a self-employment rate that would be 5.61 percentage points higher—13.80 percent—if they faced the same market outcomes as non-minority males, yielding a disparity index of 59.4.

[74] Interest and dividend income and per capita personal income are included in the model in their logarithmic forms.

Table 14. Actual and Potential Minority Business Formation Rates, Information Technology Services and Administrative and Other Support Services.

Race, Location	Business Formation Rate (%)	Expected Business Formation Rate (%)	Disparity Index
	(1)	(2)	(3)
Regression Model A			
Black	8.33	15.47	53.9
Hispanic	9.92	14.42	68.8
Asian	6.87	14.97	45.9
Native American	11.73	11.87	98.8
MBE	8.19	15.57	52.6
Regression Model B			
Black	8.33	14.37	58.0
Hispanic	9.92	13.91	71.3
Asian	6.87	14.06	48.9
Native American	11.73	11.93	98.3
MBE	8.19	14.52	56.4
Regression Model C			
Black	8.33	14.07	59.2
Hispanic	9.92	13.69	72.4
Asian	6.87	13.68	50.2
Native American	11.73	11.60	101.2
MBE	8.19	13.80	59.4

Notes: Universe is all private sector labor force participants between age 16 and 64. All results are statistically significant at a 5 percent level or better. The figure in column (1) is the average self-employment rate weighted using population-based person weights. The figure in column (2) is derived by inflating the figure in column (1) according to the corresponding coefficient from the business formation regression analysis, which is derived holding constant the variables described regression model A, B, or C. The coefficient represents the percentage point probability difference in business formation rates between a given group and non-minority males, evaluated at the mean business ownership rate for the estimation sample. Column (3) is column (1) divided by column (2), before rounding. If there is parity in the relevant market, then the Disparity Index will equal 100, because the expected business formation rate (that is, the business formation rate that would be observed in a non-discriminatory market) will be equivalent to the actual business formation rate. In cases where adverse disparities are present in the relevant market, the Disparity Index will be less than 100, because expected business formation rates will exceed actual business formation rates. Source: ACS PUMS, 2005-2011.

Despite the inclusion of numerous additional controls, large, adverse, and statistically significant disparities in business formation rates persist between minorities and non-minority males in the lines of work in which the plaintiff operates.

b. Business Owner Earnings Analysis

Next, I examined deficits in business owner earnings between minorities and non-minority males in the plaintiff's lines of work using the same framework as above. Model A included only the race and sex indicators, thus showing the raw disparities in earnings between the groups. Model B included our standard set of controls, which include educational attainment, geographic location, and labor market experience, or age. Finally, Model C includes all the controls in

Model B plus interest and dividend income, marital status, non-mover status, number of workers, number of children, home ownership and property value, nativity, English proficiency, veteran status, and four local macroeconomic indicators.

For Model A, the results show a 47.4 percent earnings gap between Black business owners and non-minority male business owners. For Hispanics, the gap is 16.0 percent. For Native Americans, the gap is 56.7 percent. For minorities as a group, the gap is 20.8 percent. For Asians, no gap was observed.[75]

When the first set of controls is added, in Model B, we find that the business owner earnings deficits observed for Blacks, Hispanics, and Native Americans fall only slightly, to 46.1 percent, 16.8 percent, and 51.0 percent, respectively. Moreover, Model B shows a substantial gap for Asians as well, of 9.4 percent.[76] This result indicates that Asians, on average, actually have more of the attributes that contribute positively to business owner earnings[77]—education for example—than do non-minority males, and yet the market does not remunerate Asians for these attributes as strongly as it does non-minority males. As a result, the business owner earnings gap for minorities as a group is actually larger in Model B—23.5 percent—than in Model A.

Table 15. Minority Business Owner Earnings Disparities, Information Technology Services and Administrative and Other Support Services.

Race, Location	Business Earnings Deficit (%)
	(1)
Regression Model A	
Black	-47.4
Hispanic	-16.0
Asian	0.0
Native American	-56.7
MBE	-20.8
Regression Model B	
Black	-46.1
Hispanic	-16.8
Asian	-9.4
Native American	-51.0
MBE	-23.5
Regression Model C	
Black	-41.7
Hispanic	-16.6
Asian	-15.7
Native American	-45.3
MBE	-26.7

Source: ACS PUMS, 2005-2011, and calculations by the author.

[75] The Asian result was not statistically significant.

[76] The coefficient for Asians in Model B is still not statistically significant, but it is close, with a p-value of .119. The cutoff for significance is a p-value of .05.

[77] And/or less of the attributes that contribute negatively.

Finally, in Model C, I include the complete set of control variables. Once again, the results show only slight decreases in the gap for Blacks, Hispanics, and Native Americans, compared to Model B, and once again actually show a large increase in the gap for Asians.[78] The resulting gap for minorities as a group—at 26.7 percent— is also larger in Model C compared to Model B.

In addition to the analyses just discussed, we also ran comparable analyses on the annual earnings of wage and salary workers—as opposed to business owners—in the plaintiff's lines of work. Though not reported here, the results look very similar to those in Table 15—large, adverse, and statistically significant deficits were observed for Blacks, Hispanics, Asians, Native Americans, and for minorities as a group.[79]

In conclusion, when we examine the status of MBEs compared to non-MBEs in the lines of work within which the plaintiff operates, the results look very similar to what we observe elsewhere in the economy—in construction, in CPS, in OPS, and in other industries. Even when compared to non-minority males that are similarly situated in terms of educational qualifications, labor market experience, assets, and other factors, minorities still tend to have lower business formation rates, lower wages, and lower entrepreneurial earnings than non-minority males. These results are consistent with the effects of discrimination in these industries.

5. There is Strong Evidence of Credit Discrimination Against MBEs from the Survey of Small Business Finances

A frequently noted manifestation of business discrimination is denial of access to credit. Disproportionate difficulty accessing commercial capital and credit is among the primary concerns voiced by minority entrepreneurs.[80] If such credit discrimination exists, not only would it hamper the ability of minority entrepreneurs to succeed, it could also prevent them from starting their own businesses in the first place. Both phenomena would be consistent with the

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[78] The coefficient for Asians in Model C is statistically significant.

[79] In the wage and salary regressions, however, there is also a statistically significant adverse gap for Asians in Model A as well as in Models B and C.

[80] *See, e.g., The Department of Transportation's Disadvantaged Business Enterprise Programs: Hearing Before the H. Comm. on Transportation and Infrastructure*, 111th Cong. (2009); *Doing Business with the Government: The Record and Goals for Small, Minority and Disadvantaged Businesses: Hearing Before the H. Comm. On Transportation and Infrastructure,* 111th Cong. (2009); *Diversity in the Financial Services Sector: Hearing Before the H. Subcomm. on Oversight and Investigations of the H. Comm. on Financial Services,* 110th Cong. (2008); *Landrieu Statement at Minority Entrepreneurship: Evaluating Small Business Resources and Programs: Hearing Before the S. Comm. on Small Business and Entrepreneurship*, 111th Cong. (2009); *Federal Contracting: Removing Hurdles for Minority-Owned Small Businesses: Hearing Before the H. Subcomm. on Government Management, Organization, and Procurement of the H. Comm. on Oversight and Government Reform*, 110th Cong. (2007); *Minority Entrepreneurship: Assessing the Effectiveness of SBA's Programs for the Minority Business Community: Hearing Before the S. Comm. on Small Business and Entrepreneurship*, 110th Cong. (2007); *Reauthorization of Small Business Administration Financing and Entrepreneurial Development Programs: Hearing Before the S. Comm. on Small Business and Entrepreneurship*, 109th Cong. (2006); *Full Committee Hearing on the State of the SBA's Entrepreneurial Development Programs and Their Role in Promoting an Economic Recovery: Hearing Before the H. Comm. on Small Business*, 111th Cong. (2009); 152 Cong Rec S10302; S. Rep. 111-2.

patterns of disparity observed above in Table 5 and Tables 8-13 and below in Appendix Tables A.1 through B.15.

Several disparity studies in Table 1 have used the *National Survey of Small Business Finances* (SSBF), a joint effort of the Federal Reserve Board and the Small Business Administration, to test for the presence of discrimination in the small business credit market during the 1993 to 2003 period.[81] These surveys are based on a large representative sample of firms with fewer than 500 employees.[82] Several other disparity studies have also examined this evidence.

The SSBF data provide qualitative and quantitative evidence consistent with the presence of discrimination against MBEs in the credit market for small businesses. Using the SSBF, I find that after controlling for a large number of financial and other characteristics of the firms, Black-owned firms, Hispanic-owned firms, and to a lesser extent other minority-owned firms are substantially and statistically significantly more likely to be denied credit than are non-minority-owned firms. The principal findings from the SSBF, documented in a number of the studies and other reports submitted to Congress, are as follows:[83]

- A larger proportion of minority-owned firms than non-minority-owned firms report that credit market conditions are a serious concern.
- A larger share of minority-owned firms than non-minority-owned firms believes that the availability of credit is the most important issue likely to confront them in the upcoming year.
- Minority-owned firms were more likely to report that they did not apply for a loan over the preceding three years because they feared the loan would be denied.
- When minority-owned firms did apply for a loan, their loan requests were substantially more likely to be denied than non-minorities, even when differences like firm size and credit history are accounted for.
- When minority-owned firms did receive a loan, they were often obligated to pay higher interest rates on the loans than was true of comparable non-minority-owned firms.
- There is no evidence that discrimination in the market for credit is significantly different in different regions of the country or in the construction industries than it is in the nation or the economy as a whole.

[81] The most recent wave of the SSBF, from 2003, was made available by the Federal Reserve Board in 2007. The Federal Reserve Board then cancelled all future surveys in this series, ostensibly for financial reasons. *See* Robb (2010).

[82] The 1993 and 1998 surveys deliberately oversampled minority-owned and women-owned firms but the 2003 survey unfortunately did not. The 2003 survey took other steps, however, to increase the likelihood that minority-owned and women-owned firms were captured in the sampling frame. For more details, *see* National Opinion Research Center (2005).

[83] *See, e.g., Kevcon, Inc. v. The United States*, Defendant's Expert Report, (ROTHE041702-041794), and studies and hearings cited in Table 1 and at fn. 80.

- There is no evidence that the level of discrimination in the market for credit has diminished between 1993 and 2003, the most recent year for which data are available.

The SSBF was designed to produce estimates for the U.S. as a whole and for nine multi-state census divisions. As a check on the findings above, and in order to produce results for specific states and metropolitan areas, I have in the past conducted my own surveys—closely following the SSBF survey instrument—to supplement to national SSBF.

I conducted these state and local credit market surveys on nine occasions between 1999 and 2007. Locations included the Chicago metropolitan area (1999), the State of Maryland (2000), the Jacksonville, Florida metropolitan area (2002), the Baltimore-Washington, DC metropolitan area (2003), the St. Louis metropolitan area (2004), the Denver metropolitan area (2005), the State of Maryland (2005), the State of Massachusetts (2005), and the Memphis, TN-MS-AR metropolitan area (2007). The Chicago, Jacksonville, Baltimore, St. Louis, and Denver surveys focused on construction and construction-related industries, while the two Maryland surveys, the Massachusetts surveys, and the Memphis survey included other services and goods as well.[84] These results have all been submitted to Congress.

In Table 14 below, I have combined the results of these nine surveys together in a consistent format and re-estimated the basic loan denial regression model on this larger file. These results are remarkably similar to results seen in the national SSBF. For example, loan denial probabilities for Black-owned firms compared to non-minority male-owned firms are about 29 percentage points higher—even when assets, liabilities, creditworthiness measures such as bankruptcies, judgments, and delinquencies, and other firm and owner characteristics, are held constant.

These surveys found statistically significant loan denial disparities for Hispanic-owned firms as well. Denial rates were about 18-24 percentage points higher for Hispanic-owned firms than for their non-minority male-owned counterparts.[85]

[84] The Chicago, Maryland I, and Jacksonville survey questionnaires followed the format of the 1993 SSBF, while our Baltimore, St. Louis, Denver, Maryland II, Massachusetts, and Memphis surveys followed the format of the 1998 SSBF questionnaire.

[85] Statistically significant loan denial disparities were also observed for Native American-owned firms when considering applications over the prior three years (about 19 percentage points higher), but not for the most recent application. The results for Asians were not statistically significant.

Table 14. Excess Loan Denial Rates–Nine Jurisdictions

Race/Gender	Most Recent Application (%)	Last Three Years (%)
	(1)	(2)
Black	28.9	29.3
Hispanic	17.8	24.4
Asian and Pacific Islander	4.2	0.3
Native American	8.7	18.8

Source: NERA Credit Market Surveys, 1999-2007.

Finally, as shown in Table 15, I modeled the rate of interest charged, conditional upon receiving loan approval, using NERA's nine-jurisdiction dataset. Once again, the results are similar to what is observed in the national SSBF. The results for Blacks were statistically significant and indicate that they pay approximately 1.7 percentage points more, on average, for their business credit than do non-minority males, declining slightly to 1.5 percentage points when creditworthiness and other firm and owner controls are accounted for. The result for Asians was also significant when considering the most recent loan application, but not when considering all applications over the prior three years.[86]

Table 15. Excess Cost of Credit–Nine Jurisdictions

Race/Gender	Most Recent Application (Int. Rate % Points)	Last Three Years (Int. Rate % Points)
	(1)	(2)
Black	1.683	1.491
Hispanic	0.820	0.895
Asian and Pacific Islander	1.221	0.789
Native American	1.241	1.008

Source: NERA Credit Market Surveys, 1999-2007.

On the basis of the foregoing, I conclude that the evidence of credit discrimination collected throughout the nation between 1999-2007, and in other studies submitted to Congress,[87] is entirely consistent with the results obtained using the national SSBF data from the 1993-2003 SSBF files.

[86] The results for Hispanics and Native Americans were not statistically significant.

[87] *See* U.S. Small Business Administration (2010).

IV. Conclusions

I was asked to review the MBE disparity studies submitted to Congress as well as other related studies and data sources. These disparity studies were conducted by myself and by others and examined statistical evidence of MBE participation in public sector contracting and procurement activity, MBE representation in the relevant business populations, and explanations for the disparities observed between these factors. Many of these studies also examined private sector or economy-wide evidence of disparities business formation rates, business owner earnings, and commercial loan denials. Almost all of these studies also included qualitative, or anecdotal, accounts from both MBEs and non-MBEs concerning these disparities.

After reviewing this material, I conclude that the studies submitted to Congress, taken as a whole, provide strong evidence of large, adverse, and often statistically significant disparities between minority participation in business enterprise activity and the availability of those businesses. Based upon the studies as well as upon the additional analyses I conducted for this report, I further conclude that these disparities are not explained solely, or even largely, by differences in factors other than race and sex that are untainted by discrimination, and that these disparities therefore are consistent with the presence discrimination in the business market. I find this to be the case in construction markets, construction-related professional services markets, and other professional services markets, including those in which the plaintiff operates. When I also include the smaller number of studies in the record that have not yet been submitted to Congress, I reach the same general conclusions.

Jon Wainwright

Jon Wainwright, Ph.D.

March 8, 2013

This report is subject to revision upon access to additional data or testimony.

My rate for work done on this matter is $425 per hour. My qualifications are documented above in Section I and in my curriculum vitae, which is attached as Exhibit A. At this time I have not prepared any exhibits that I expect to use as summary of or support for my positions other than those contained herein. I may prepare such exhibits in the future as part of the trial preparation process.

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VI. Appendix A

Table A.1. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Blacks, All Industries, 2007

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	7.31	1.24	2.05	0.97	*0.17*	*0.47*
Alabama	15.28	1.38	3.14	0.88	*0.09*	*0.28*
Alaska	1.58	0.48	0.85	0.42	*0.30*	*0.50*
Arizona	2.12	0.34	0.79	0.23	*0.16*	*0.30*
Arkansas	5.74	0.82	1.93	0.62	*0.14*	*0.32*
California	4.15	1.32	1.52	1.19	*0.32*	*0.78*
Colorado	1.74	0.53	0.69	0.46	*0.31*	*0.67*
Connecticut	4.63	0.58	1.34	0.40	*0.12*	*0.30*
Delaware	9.34	0.89	2.27	0.45	*0.10*	*0.20*
District of Columbia	30.65	9.87	13.72	9.04	*0.32*	*0.66*
Florida	9.32	1.70	2.84	1.23	*0.18*	*0.43*
Georgia	20.99	2.56	5.14	1.67	*0.12*	*0.32*
Hawaii	0.92	0.85	0.61	0.87	0.92	1.44
Idaho	0.24	0.09	0.08	0.07	*0.38*	0.85
Illinois	9.83	1.37	1.79	1.09	*0.14*	*0.61*
Indiana	4.74	0.98	1.30	0.88	*0.21*	*0.68*
Iowa	0.88	0.23	0.31	0.22	*0.27*	0.70
Kansas	2.47	0.39	0.80	0.30	*0.16*	*0.38*
Kentucky	3.18	0.76	1.04	0.66	*0.24*	*0.64*
Louisiana	16.46	1.71	3.37	1.14	*0.10*	*0.34*
Maine	0.51	0.09			*0.17*	
Maryland	20.06	3.44	5.43	2.58	*0.17*	*0.48*
Massachusetts	3.56	0.67	1.26	0.50	*0.19*	*0.40*
Michigan	9.18	1.57	1.77	1.30	*0.17*	*0.73*
Minnesota	2.60	0.42	0.60	0.33	*0.16*	*0.55*
Mississippi	18.53	1.97	4.16	1.10	*0.11*	*0.26*
Missouri	5.12	1.16	2.23	1.03	*0.23*	*0.46*
Montana	0.21	0.08	0.10	0.06	*0.38*	0.64
Nebraska	1.87	0.24	0.57	0.19	*0.13*	*0.34*
Nevada	4.11	1.00	1.50	0.90	*0.24*	*0.60*
New Hampshire	0.56	0.13	0.12	0.09	*0.22*	0.75
New Jersey	7.99	1.16	2.38	0.86	*0.15*	*0.36*
New Mexico	1.28	0.84	0.44	0.83	*0.65*	*1.89*
New York	10.79	1.64	3.01	1.22	*0.15*	*0.41*
North Carolina	10.84	1.80	3.74	1.40	*0.17*	*0.37*
North Dakota	0.28	0.45	0.06		1.62	
Ohio	6.00	1.22	1.69	1.05	*0.20*	*0.62*
Oklahoma	3.23	0.51	1.04	0.41	*0.16*	*0.39*
Oregon	1.21	0.42	0.51	0.39	*0.35*	0.76
Pennsylvania	4.69	0.78	1.38	0.63	*0.17*	*0.45*
Rhode Island	3.48	0.53	0.74	0.33	*0.15*	*0.45*
South Carolina	12.58	1.63	3.56	1.02	*0.13*	*0.29*
South Dakota	0.28	0.10	0.11	0.09	*0.35*	0.81
Tennessee	8.61	1.47	2.36	1.09	*0.17*	*0.46*
Texas	7.31	1.08	2.13	0.79	*0.15*	*0.37*

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Utah	0.49	0.31	0.30	0.29	*0.63*	0.97
Vermont						
Virginia	10.28	2.16	3.79	1.75	*0.21*	*0.46*
Washington						
West Virginia						
Wisconsin	2.70	0.44	1.15	0.39	*0.16*	*0.34*

Notes: The Disparity Index is derived by dividing the percentage of sales by the corresponding percentage of firms. A Disparity Index of zero indicates complete disparity while a value of 1 indicates parity. Disparity Indexes in italics are statistically significant at a 1-in-20 probability level or better.

Table A.2. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Hispanics, All Industries, 2007

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	8.60	3.20	4.79	2.79	*0.37*	*0.58*
Alabama	1.20	0.65	1.02	0.60	*0.55*	*0.59*
Alaska						
Arizona	11.15	4.25	6.84	3.75	*0.38*	*0.55*
Arkansas	2.36	0.88	1.01	0.75	*0.37*	0.74
California	17.06	5.76	9.06	4.91	*0.34*	*0.54*
Colorado	6.42	3.46	4.05	3.27	*0.54*	*0.81*
Connecticut	4.41	1.45	2.28	1.31	*0.33*	*0.57*
Delaware	2.20	1.08	1.76	0.95	*0.49*	*0.54*
District of Columbia	6.66	4.44	5.04	4.46	0.67	0.89
Florida	23.11	11.71	14.47	10.76	*0.51*	*0.74*
Georgia	3.72	1.72	2.09	1.48	*0.46*	*0.71*
Hawaii	3.79	1.76	1.74	1.62	0.46	0.93
Idaho	2.65	0.87	2.14	0.76	*0.33*	*0.36*
Illinois	5.21	2.06	3.41	1.90	*0.40*	*0.56*
Indiana	1.83	0.73	1.29	0.66	*0.40*	*0.51*
Iowa	0.98	0.43	0.77	0.39	*0.44*	*0.51*
Kansas	2.53	1.16	1.96	1.02	*0.46*	*0.52*
Kentucky	1.12	0.71	0.96	0.70	*0.64*	*0.73*
Louisiana	3.04	1.59	1.75	1.43	0.52	0.82
Maine	0.67	0.39			0.57	
Maryland	5.06	2.19	3.32	1.91	*0.43*	*0.57*
Massachusetts	3.36	0.93	1.54	0.80	*0.28*	*0.52*
Michigan	1.36	1.30	0.96	1.31	0.95	*1.36*
Minnesota	1.04	0.73	0.72	0.73	*0.70*	1.01
Mississippi	0.83	0.37	0.71	0.32	*0.45*	*0.45*
Missouri	1.28	0.67	1.24	0.63	*0.52*	*0.51*
Montana	1.03	0.48	1.37	0.45	*0.46*	*0.33*
Nebraska	2.00	1.11	1.33	1.07	*0.55*	*0.80*
Nevada	8.57	2.95	5.42	2.62	*0.34*	*0.48*
New Hampshire	1.09	0.35	0.50	0.27	*0.32*	*0.54*
New Jersey	9.05	2.72	4.64	2.34	*0.30*	*0.50*
New Mexico	24.53	12.60	18.55	11.61	*0.51*	*0.63*
New York	10.22	2.36	4.67	2.04	*0.23*	*0.44*
North Carolina	2.75	1.39	1.60	1.18	*0.50*	*0.74*
North Dakota	0.49	0.08	0.19	0.07	*0.16*	*0.37*
Ohio	1.12	0.59	0.78	0.55	*0.53*	*0.70*
Oklahoma	2.37	1.30	1.87	1.21	*0.55*	*0.65*
Oregon	3.38	1.21	2.41	1.09	*0.36*	*0.45*
Pennsylvania	2.39	0.72	1.14	0.64	*0.30*	*0.56*
Rhode Island	6.23	1.29	1.82	0.96	*0.21*	*0.53*
South Carolina	1.71	1.37	1.29	1.31	*0.80*	1.01
South Dakota	0.81	0.93	0.87	0.95	1.15	1.09
Tennessee	1.64	0.87	1.28	0.77	*0.53*	*0.60*
Texas	21.20	7.21	12.20	5.89	*0.34*	*0.48*
Utah	3.93	1.33	2.38	1.17	*0.34*	*0.49*
Vermont	0.62	0.82	0.20	0.86	1.32	*4.28*

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Virginia	4.63	2.36	2.56	2.18	*0.51*	*0.85*
Washington	3.35	3.99	2.39	4.10	*1.19*	*1.71*
West Virginia	0.78	0.39	0.42	0.35	*0.50*	0.84
Wisconsin	1.34	1.10	0.97	1.09	*0.82*	1.12
Wyoming	2.97	0.74	1.64	0.64	*0.25*	*0.39*

Notes: See Table A.1.

Table A.3. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Asians, All Industries, 2007

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	5.89	4.62	7.66	4.53	*0.78*	*0.59*
Alabama	1.86	1.68	3.67	1.67	0.90	*0.46*
Alaska	3.23	1.86	4.18	1.78	*0.58*	*0.43*
Arizona	3.46	2.40	4.60	2.32	*0.70*	*0.50*
Arkansas	1.44	0.91	2.43	0.86	*0.63*	*0.35*
California	15.32	12.99	18.62	12.84	*0.85*	*0.69*
Colorado	2.75	1.80	3.38	1.73	*0.65*	*0.51*
Connecticut	3.47	1.87	5.24	1.77	*0.54*	*0.34*
Delaware	4.29	4.13	7.19	4.19	0.96	*0.58*
District of Columbia	6.37	8.37	15.44	8.84	*1.31*	*0.57*
Florida	3.33	2.80	4.85	2.77	*0.84*	*0.57*
Georgia	5.28	4.21	9.28	4.22	*0.80*	*0.45*
Hawaii	49.28	47.49	52.72	47.83	0.96	*0.91*
Idaho	0.87	0.92	1.15	0.95	1.06	0.83
Illinois	5.47	3.69	7.16	3.56	*0.67*	*0.50*
Indiana	1.88	1.47	2.88	1.44	*0.78*	*0.50*
Iowa	1.13	0.75	1.91	0.73	*0.66*	*0.38*
Kansas	2.12	1.25	2.69	1.21	*0.59*	*0.45*
Kentucky	1.70	1.63	2.93	1.63	0.96	*0.56*
Louisiana	2.85	1.63	4.14	1.53	*0.57*	*0.37*
Maine	0.76	0.66	1.42	0.67	0.87	*0.47*
Maryland	7.05	5.75	9.85	5.70	*0.82*	*0.58*
Massachusetts	4.60	2.58	5.36	2.46	*0.56*	*0.46*
Michigan	2.73	2.59	4.04	2.55	0.95	*0.63*
Minnesota	2.37	1.08	2.56	1.02	*0.45*	*0.40*
Mississippi	1.83	1.62	3.60	1.57	0.89	*0.44*
Missouri	2.02	1.76	3.08	1.75	0.87	*0.57*
Montana	0.59	0.42	0.66	0.42	0.72	0.65
Nebraska	1.49	0.68	1.88	0.64	*0.46*	*0.34*
Nevada	8.33	3.59	7.10	3.20	*0.43*	*0.45*
New Hampshire	1.67	1.34	2.58	1.35	0.81	*0.52*
New Jersey	8.97	8.00	12.18	8.01	*0.89*	*0.66*
New Mexico	2.19	2.14	3.69	2.19	0.98	*0.59*
New York	10.41	6.56	11.54	6.40	*0.63*	*0.55*
North Carolina	2.60	1.95	3.99	1.89	*0.75*	*0.47*
North Dakota	0.71	0.60	1.09	0.61	0.84	*0.56*
Ohio	2.09	1.76	3.68	1.74	*0.84*	*0.47*
Oklahoma	2.09	1.41	3.21	1.31	*0.67*	*0.41*
Oregon	3.77	2.33	4.42	2.22	*0.62*	*0.50*
Pennsylvania	3.29	2.58	4.72	2.55	*0.79*	*0.54*
Rhode Island	2.16	1.64	3.08	1.62	*0.76*	*0.52*
South Carolina	1.91	1.97	3.74	1.97	1.03	*0.53*
South Dakota	0.61	0.59	1.24	0.59	0.97	*0.47*
Tennessee	2.10	1.75	4.10	1.73	*0.83*	*0.42*
Texas	5.41	4.68	8.62	4.67	*0.87*	*0.54*
Utah	1.97	1.37	2.24	1.36	*0.69*	*0.60*
Vermont	0.86	1.18	1.60	1.26	1.37	0.79

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Virginia	7.23	5.31	8.94	5.13	*0.73*	*0.57*
Washington	7.04	5.07	8.28	4.95	*0.72*	*0.60*
West Virginia	1.32	1.21	2.52	1.23	0.91	*0.49*
Wisconsin	1.62	1.06	2.14	1.01	*0.65*	*0.47*
Wyoming	0.68	0.49	1.09	0.48	0.71	*0.44*

Notes: See Table A.1.

Table A.4. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, American Indians and Alaska Natives, All Industries, 2007

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	0.90	0.31	0.46	0.27	*0.35*	*0.60*
Alabama	0.83	0.42	0.63	0.39	*0.50*	*0.61*
Alaska	10.31	3.53	2.98	3.05	*0.34*	1.02
Arizona	1.93	0.44	0.53	0.36	*0.23*	*0.68*
Arkansas	1.15	0.44	0.75	0.39	*0.38*	*0.52*
California	1.37	0.33	0.60	0.24	*0.24*	*0.40*
Colorado	0.88	0.37	0.57	0.34	*0.42*	*0.59*
Connecticut	0.51	0.08	0.14	0.04	*0.16*	*0.31*
Delaware						
District of Columbia	0.99	0.27	0.32	0.16	*0.27*	*0.51*
Florida	0.50	0.17	0.24	0.14	*0.34*	*0.60*
Georgia	0.68	0.25	0.31	0.21	*0.37*	*0.67*
Hawaii	1.34	0.83	0.61	0.83	*0.62*	1.36
Idaho	0.94	0.38	0.58	0.36	*0.41*	*0.62*
Illinois	0.50	0.14	0.24	0.11	*0.28*	*0.46*
Indiana	0.47	0.10	0.25	0.09	*0.21*	*0.35*
Iowa	0.24	0.04	0.17	0.03	*0.17*	*0.19*
Kansas	0.98	0.48	0.60	0.45	*0.49*	0.76
Kentucky	0.31	0.09			*0.30*	
Louisiana	0.74	0.39	0.43	0.37	*0.53*	0.87
Maine	0.49	0.11	0.33	0.09	*0.22*	*0.28*
Maryland	0.65	0.17	0.33	0.13	*0.25*	*0.40*
Massachusetts	0.40	0.08	0.28	0.07	*0.21*	*0.25*
Michigan	0.77	0.25	0.39	0.23	*0.33*	*0.59*
Minnesota	0.60	0.25	0.37	0.23	*0.41*	*0.63*
Mississippi	0.33	0.18	0.31	0.17	*0.54*	0.55
Missouri	0.60	0.21	0.47	0.18	*0.35*	*0.39*
Montana	2.13	1.26			0.59	
Nebraska	0.45	0.09	0.22	0.06	*0.20*	*0.27*
Nevada	0.84	0.38	0.40	0.36	*0.45*	0.91
New Hampshire						
New Jersey	0.38	0.08	0.19	0.07	*0.20*	*0.35*
New Mexico	5.48	1.35	1.48	1.17	*0.25*	0.79
New York	0.69	0.20	0.27	0.18	*0.29*	*0.67*
North Carolina	1.04	0.37	0.65	0.29	*0.35*	*0.45*
North Dakota	1.70	0.78	1.03	0.78	*0.46*	0.75
Ohio	0.34	0.15	0.20	0.14	*0.44*	0.69
Oklahoma	6.57	3.52	4.71	3.35	*0.54*	*0.71*
Oregon	1.27	0.34	0.66	0.29	*0.27*	*0.43*
Pennsylvania	0.30	0.08	0.11	0.07	*0.28*	0.61
Rhode Island	0.43	0.12	0.16		*0.28*	
South Carolina	0.47	0.21	0.37	0.20	*0.45*	*0.54*
South Dakota	2.34	0.60	1.15	0.56	*0.26*	*0.48*
Tennessee	0.51	0.32	0.34	0.31	*0.63*	0.91
Texas	0.90	0.43	0.44	0.38	*0.48*	0.88
Utah	0.62	0.43	0.49	0.43	*0.70*	0.88
Vermont	0.54	0.16			*0.30*	

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Virginia	0.54	0.25	0.31	0.23	*0.47*	*0.76*
Washington	1.23	0.60	0.64	0.56	*0.48*	0.87
West Virginia						
Wisconsin	0.63	0.16	0.33	0.14	*0.25*	*0.43*
Wyoming	0.81	0.43	0.55	0.42	*0.53*	0.75

Notes: See Table 1A.

Table A.5. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Native Hawaiians and Pacific Islanders, All Industries, 2007

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	0.14	0.06	0.08	0.05	*0.40*	*0.66*
Alabama	0.07	0.06	0.02		0.82	
Alaska	0.28	0.09	0.13	0.08	*0.33*	0.63
Arizona						
Arkansas	0.04	0.02	0.00		*0.41*	
California	0.28	0.08	0.10	0.06	*0.29*	0.67
Colorado	0.12	0.03	0.12	0.02	*0.23*	*0.14*
Connecticut	0.03	0.00	0.01	0.00	*0.12*	*0.52*
Delaware	0.05	0.01	0.01		*0.10*	
District of Columbia						
Florida	0.09	0.03	0.03	0.03	*0.33*	0.85
Georgia	0.13	0.04	0.04	0.04	*0.30*	0.86
Hawaii	9.88	6.22	6.40	5.94	*0.63*	0.93
Idaho						
Illinois	0.05	0.01	0.02	0.00	*0.12*	*0.18*
Indiana	0.04	0.02	0.04	0.02	*0.47*	*0.48*
Iowa	0.07	0.01	0.11	0.01	*0.18*	*0.09*
Kansas						
Kentucky	0.03	0.01	0.01	0.00	*0.23*	*0.38*
Louisiana	0.03	0.01	0.02	0.01	*0.19*	*0.32*
Maine	0.04	0.07	0.01		2.02	
Maryland	0.06	0.04	0.04	0.05	0.78	1.19
Massachusetts	0.05	0.01	0.01	0.01	*0.23*	0.65
Michigan	0.06	0.09	0.03	0.10	1.53	3.21
Minnesota						
Mississippi	0.03	0.00			*0.08*	
Missouri	0.07	0.01	0.04	0.01	*0.21*	*0.28*
Montana						
Nebraska	0.01		0.00			
Nevada	0.28	0.11	0.19	0.10	*0.41*	0.55
New Hampshire	0.04	0.00	0.00		*0.10*	
New Jersey	0.06	0.01	0.02	0.01	*0.22*	0.61
New Mexico	0.09	0.01	0.09	0.01	*0.17*	*0.15*
New York	0.10	0.02	0.08	0.02	*0.24*	*0.25*
North Carolina	0.06	0.01	0.02	0.01	*0.20*	0.49
North Dakota	0.04	0.00	0.00	0.00	*0.09*	
Ohio						
Oklahoma	0.05	0.01	0.04	0.01	*0.30*	*0.34*
Oregon	0.19	0.07	0.12	0.07	*0.39*	*0.56*
Pennsylvania	0.04	0.01	0.02	0.01	*0.15*	*0.28*
Rhode Island	0.04	0.02	0.10	0.02	0.65	*0.21*
South Carolina	0.06	0.00			*0.08*	
South Dakota	0.01		0.01			
Tennessee	0.08	0.01			*0.08*	
Texas	0.06	0.04	0.05	0.04	0.78	0.90
Utah	0.29	0.09	0.31	0.08	*0.31*	*0.27*
Vermont						

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Virginia	0.07	0.07	0.11	0.07	1.10	0.68
Washington	0.23	0.06	0.11	0.05	*0.27*	*0.49*
West Virginia	0.01	0.00	0.00	0.00	*0.05*	
Wisconsin						
Wyoming	0.02	0.00	0.01		*0.13*	

Notes: See Table A.1.

Table A.6. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Blacks, Construction, 2007

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	3.75	0.88	1.28	0.73	*0.23*	*0.57*
Alabama	8.74	0.82	2.39	0.50	*0.09*	*0.21*
Alaska	0.61	0.91	0.16	0.89	1.50	*5.51*
Arizona	1.04	0.08	0.26	0.04	*0.07*	*0.17*
Arkansas	1.99	0.68	0.58	0.54	*0.34*	0.93
California						
Colorado	0.66	0.22			*0.33*	
Connecticut	3.15	0.56	0.93	0.28	*0.18*	*0.30*
Delaware	3.83	0.30			*0.08*	
District of Columbia	45.57	18.83	33.65	17.83	*0.41*	*0.53*
Florida	5.61	1.11	2.51	0.82	*0.20*	*0.32*
Georgia	10.62	2.29	2.78	1.63	*0.22*	*0.59*
Hawaii	0.77	0.33	0.69	0.33	*0.43*	0.48
Idaho						
Illinois	3.80	1.13	0.94	1.06	*0.30*	1.13
Indiana	1.91	1.06	0.43	1.02	*0.55*	*2.37*
Iowa	0.23	0.05	0.02		*0.23*	
Kansas	1.22	0.19	0.25	0.16	*0.15*	0.62
Kentucky	1.47	0.44	0.65	0.41	*0.30*	0.63
Louisiana	12.38	1.49	2.75	0.84	*0.12*	*0.30*
Maine						
Maryland	9.21	2.51	3.60	2.29	*0.27*	*0.64*
Massachusetts	1.23	0.63	0.74	0.65	*0.51*	0.87
Michigan	3.43	1.10	0.77	0.99	*0.32*	1.28
Minnesota	0.70	0.09	0.21	0.07	*0.13*	*0.34*
Mississippi	12.66	1.74	3.85	0.78	*0.14*	*0.20*
Missouri	2.09	0.85	0.83	0.81	*0.40*	0.97
Montana	0.39	0.15	0.24	0.13	*0.40*	0.56
Nebraska						
Nevada	1.73	0.67	0.70	0.67	*0.39*	0.97
New Hampshire	0.20	0.03	0.02		*0.12*	
New Jersey	4.88	0.72	1.20	0.43	*0.15*	*0.36*
New Mexico	0.37	0.05	0.04		*0.12*	
New York	6.86	1.28	2.38	1.06	*0.19*	*0.45*
North Carolina	4.87	0.94	1.98	0.72	*0.19*	*0.36*
North Dakota	0.11	0.01	0.00	0.00	*0.05*	
Ohio	2.59	1.23	1.16	1.22	*0.48*	1.06
Oklahoma	1.23	0.31	0.84	0.28	*0.25*	*0.34*
Oregon	1.01	0.40	0.39	0.34	*0.39*	0.87
Pennsylvania	2.14	0.48	0.82	0.43	*0.23*	*0.53*
Rhode Island	1.90	0.25	0.41	0.15	*0.13*	*0.37*
South Carolina	7.92	1.52	3.76	1.18	*0.19*	*0.31*
South Dakota						
Tennessee	3.85	1.03	1.28	0.66	*0.27*	*0.51*
Texas	2.95	0.68	1.01	0.54	*0.23*	*0.53*
Utah	0.25	0.05	0.32	0.05	*0.20*	*0.16*
Vermont						

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Virginia	5.69	1.56	3.49	1.41	*0.27*	*0.40*
Washington	0.68	0.20	0.35	0.19	*0.30*	*0.55*
West Virginia	0.50	0.62	0.12	0.63	1.25	*5.05*
Wisconsin	1.00	0.36	0.57	0.35	*0.36*	0.62
Wyoming	0.18		0.03			

Notes: See Table A.1.

Table A.7. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Hispanics, Construction, 2007

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	10.16	3.79	5.09	3.08	*0.37*	*0.61*
Alabama	1.69	0.52	1.14	0.28	*0.31*	*0.24*
Alaska						
Arizona	12.72	4.74	7.89	4.45	*0.37*	*0.56*
Arkansas	3.65	2.10	0.89	1.89	*0.58*	2.11
California	20.48	6.88	11.29	5.95	*0.34*	*0.53*
Colorado	10.07	3.43	5.93	2.81	*0.34*	*0.47*
Connecticut	4.98	2.96	2.22	2.99	*0.60*	1.35
Delaware	3.62	1.43			*0.40*	
District of Columbia	17.86	6.85	10.38	6.45	*0.38*	*0.62*
Florida	27.34	9.71	14.30	8.60	*0.36*	*0.60*
Georgia	7.05	2.30	2.63	1.14	*0.33*	*0.43*
Hawaii	3.66	1.83	1.74	1.71	*0.50*	0.99
Idaho	3.86	1.73	3.48	1.61	*0.45*	*0.46*
Illinois	6.12	2.14	3.35	1.94	*0.35*	*0.58*
Indiana	2.06	0.80	1.09	0.57	*0.39*	*0.52*
Iowa	0.69	0.25	0.43	0.18	*0.36*	*0.40*
Kansas	2.51	3.84	2.42	3.72	1.53	1.54
Kentucky	1.23	0.44	0.51	0.34	*0.36*	0.66
Louisiana	5.37	3.63			0.68	
Maine	0.79	0.16			*0.20*	
Maryland	11.78	3.63	5.63	2.84	*0.31*	*0.50*
Massachusetts	2.03	0.93	1.06	0.90	*0.46*	0.84
Michigan	1.47	1.09	0.77	1.06	0.74	1.38
Minnesota	1.03	0.30	0.61	0.22	*0.30*	*0.35*
Mississippi	0.99	0.54	0.49	0.34	*0.54*	0.70
Missouri	1.17	0.67	0.72	0.56	*0.58*	0.78
Montana	0.68	0.60			0.88	
Nebraska	1.98	0.89	1.28	0.76	*0.45*	*0.60*
Nevada	10.86	4.40	5.22	4.23	*0.41*	0.81
New Hampshire	1.25	0.35	0.11	0.08	*0.28*	*0.78*
New Jersey	9.29	3.37	5.11	2.96	*0.36*	*0.58*
New Mexico	37.70	15.30	26.16	13.98	*0.41*	*0.53*
New York	9.79	3.34	4.71	3.04	*0.34*	*0.65*
North Carolina	4.89	1.95	2.34	1.07	*0.40*	*0.46*
North Dakota						
Ohio	1.36	0.56	0.58	0.39	*0.41*	0.66
Oklahoma	3.15	1.94	2.69	1.69	*0.61*	*0.63*
Oregon	3.83	1.87	3.26	1.72	*0.49*	*0.53*
Pennsylvania	1.81	0.55	0.78	0.50	*0.30*	*0.64*
Rhode Island	4.75	0.40	0.26	0.13	*0.08*	0.51
South Carolina	2.83	1.37	2.10	1.07	*0.49*	*0.51*
South Dakota	1.08	0.76	1.17	0.75	0.70	0.65
Tennessee	2.62	1.22			*0.46*	
Texas	32.30	10.66	15.21	6.84	*0.33*	*0.45*
Utah	3.88	1.54	2.81	1.36	*0.40*	*0.49*
Vermont	0.35	0.08	0.20	0.06	*0.23*	*0.32*

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Virginia	9.13	3.24	3.82	2.43	*0.35*	*0.64*
Washington	2.92	1.06	2.54	1.01	*0.36*	*0.40*
West Virginia	1.37	1.77	0.32	1.85	1.29	*5.72*
Wisconsin	1.59	0.81	0.94	0.73	*0.51*	0.77
Wyoming	3.91	1.52	1.46	1.24	*0.39*	0.85

Notes: See Table A.1.

Table A.8. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Asians, Construction, 2007

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	2.11	1.24	1.40	1.19	*0.59*	0.85
Alabama	0.24	0.06			*0.24*	
Alaska	1.67	0.46	0.85	0.42	*0.27*	0.49
Arizona	0.72	0.25	0.52	0.24	*0.35*	*0.47*
Arkansas	0.67	0.08	0.03		*0.12*	
California	7.61	3.84	4.81	3.57	*0.50*	0.74
Colorado	0.43	0.16	0.28	0.14	*0.38*	*0.50*
Connecticut						
Delaware	0.55	0.21	0.15	0.13	*0.38*	0.87
District of Columbia	4.33	4.66	6.92	4.78	1.08	0.69
Florida	1.13	0.69	0.74	0.61	*0.61*	0.82
Georgia	1.17	0.64	1.06	0.61	*0.54*	*0.58*
Hawaii	37.22	47.99	43.18	48.97	*1.29*	1.13
Idaho						
Illinois	1.13	0.69	0.91	0.65	*0.61*	0.71
Indiana	0.41	0.30	0.42	0.30	0.74	0.72
Iowa	0.30	0.08	0.02		*0.27*	
Kansas						
Kentucky	0.32	0.22	0.12	0.25	0.70	2.15
Louisiana	0.79	0.33	0.38	0.28	*0.42*	0.75
Maine	0.41	0.04	0.00	0.00	*0.11*	
Maryland	3.09	1.53	2.38	1.43	*0.50*	0.60
Massachusetts	2.17	0.83	0.72	0.73	*0.38*	1.01
Michigan	0.40	0.19	0.36	0.18	*0.47*	*0.50*
Minnesota	1.07	0.38	0.15	0.34	*0.36*	2.29
Mississippi	0.45	0.26	0.20	0.24	*0.57*	1.19
Missouri	0.52	0.21	0.31	0.17	*0.41*	*0.55*
Montana						
Nebraska	0.31	0.27	0.20	0.27	0.88	1.37
Nevada	2.68	0.31	1.43	0.26	*0.12*	*0.18*
New Hampshire	0.23	0.03	0.02		*0.12*	
New Jersey	2.16	1.01	1.56	0.91	*0.47*	*0.58*
New Mexico	0.17	0.41	0.17	0.44	2.47	2.60
New York	9.22	2.08	3.81	1.93	*0.23*	*0.51*
North Carolina	0.58	0.36	0.56	0.31	*0.62*	*0.55*
North Dakota	0.07	0.09	0.13	0.09	1.29	0.68
Ohio	0.39	0.30	0.23	0.29	0.78	1.28
Oklahoma	0.41	0.23			0.55	
Oregon	1.02	0.67	0.70	0.66	*0.65*	0.95
Pennsylvania	1.00	0.28	0.50	0.25	*0.28*	*0.50*
Rhode Island	0.36	0.15	0.20	0.14	*0.41*	0.69
South Carolina	0.31	0.36	0.46	0.36	1.13	0.78
South Dakota	0.07	0.02			*0.28*	
Tennessee	0.44	0.21			*0.47*	
Texas	1.18	0.93			0.79	
Utah	0.32	0.17	0.15	0.17	0.53	1.19
Vermont	0.32	0.39	0.07		1.21	

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Virginia	3.59	1.25	1.50	0.75	*0.35*	*0.50*
Washington	1.99	1.16	1.64	1.12	*0.58*	*0.68*
West Virginia	0.13	0.38	0.10	0.41	2.90	*4.08*
Wisconsin						
Wyoming	0.26	0.28	0.17	0.27	1.05	1.58

Notes: See Table A.1.

Table A.9. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, American Indians and Alaska Natives, Construction, 2007

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	1.12	0.56	0.69	0.52	*0.50*	*0.76*
Alabama	0.58	0.53	0.78	0.52	0.91	*0.67*
Alaska						
Arizona	2.24	0.50	0.79	0.47	*0.23*	0.60
Arkansas	1.31	0.74	1.07	0.80	*0.56*	0.75
California	2.17	0.61	0.99	0.50	*0.28*	*0.51*
Colorado	1.10	0.59	1.06	0.54	*0.54*	*0.51*
Connecticut	0.34	0.12			*0.35*	
Delaware	0.20	0.04	0.19	0.03	*0.18*	*0.17*
District of Columbia						
Florida	0.73	0.24	0.34	0.22	*0.33*	0.64
Georgia	0.77	0.80	0.55	0.82	1.04	1.47
Hawaii						
Idaho	0.94	1.07	1.06	1.14	1.14	1.07
Illinois	0.62	0.17	0.18	0.13	*0.27*	0.69
Indiana	0.41	0.18	0.10		*0.43*	
Iowa	0.22	0.08	0.24	0.08	*0.36*	*0.32*
Kansas						
Kentucky						
Louisiana						
Maine						
Maryland	0.35	0.31	0.47	0.30	0.89	0.63
Massachusetts						
Michigan	0.77	0.33	0.56	0.30	*0.43*	*0.53*
Minnesota	0.52	0.23	0.24	0.22	*0.44*	0.94
Mississippi						
Missouri	0.80	0.54	0.30	0.50	0.68	1.66
Montana	2.57	1.47	1.24	1.42	*0.57*	1.14
Nebraska	0.41	0.10	0.28	0.08	*0.24*	*0.29*
Nevada	0.39	0.48	0.52	0.49	1.23	0.94
New Hampshire	0.23	0.16			0.68	
New Jersey	0.30	0.07	0.22	0.05	*0.22*	*0.25*
New Mexico	4.50	2.18	1.28	2.22	*0.49*	1.73
New York	0.65	0.16	0.17	0.14	*0.25*	0.82
North Carolina	1.91	0.76	1.10	0.53	*0.40*	*0.48*
North Dakota	1.86	1.64	1.79	1.66	0.88	0.93
Ohio	0.39	0.29	0.19	0.29	0.74	1.55
Oklahoma	10.03	6.83	7.37	6.75	*0.68*	0.92
Oregon	1.57	0.76	1.17	0.69	*0.49*	0.58
Pennsylvania	0.16	0.06	0.15	0.04	*0.39*	*0.28*
Rhode Island						
South Carolina	0.44	0.11	0.47	0.11	*0.25*	*0.23*
South Dakota	3.63	1.03	2.27	0.99	*0.28*	*0.43*
Tennessee	0.74	0.25	0.27	0.23	*0.34*	0.85
Texas	1.67	0.87	1.08	0.76	*0.52*	0.70
Utah						
Vermont						

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Virginia	0.68	0.34	0.46	0.32	*0.49*	0.69
Washington	1.30	1.37	1.22	1.39	1.06	1.15
West Virginia	0.20	0.13	0.05		0.65	
Wisconsin	0.54	0.31	0.46	0.29	*0.57*	0.63
Wyoming	1.12	0.56	0.69	0.52	*0.50*	*0.76*

Notes: See Table A.1.

Table A.10. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Native Hawaiians and Pacific Islanders, Construction, 2007

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	0.15	0.10	0.11	0.10	*0.70*	0.89
Alabama						
Alaska	0.08	0.29	0.08		*3.61*	
Arizona						
Arkansas	0.04	0.00	0.00	0.00	*0.07*	
California	0.33	0.21	0.17	0.18	0.62	1.10
Colorado	0.31	0.08	0.36	0.05	*0.25*	*0.14*
Connecticut	0.00		0.01			
Delaware	0.01		0.00	0.00		
District of Columbia						
Florida						
Georgia						
Hawaii	12.37	9.50	12.78	9.39	0.77	0.74
Idaho						
Illinois						
Indiana						
Iowa						
Kansas	0.07	0.00	0.04	0.00	*0.05*	*0.06*
Kentucky						
Louisiana	0.01	0.00	0.00	0.00	*0.05*	
Maine	0.16	0.52	0.02		3.28	
Maryland	0.10	0.07	0.10	0.08	0.71	0.79
Massachusetts						
Michigan						
Minnesota						
Mississippi						
Missouri	0.03	0.01	0.01		*0.36*	
Montana						
Nebraska	0.01	0.00	0.00	0.00	*0.12*	
Nevada						
New Hampshire	0.00		0.00	0.00		
New Jersey	0.07	0.03	0.05	0.03	*0.45*	0.70
New Mexico	0.01		0.00	0.00		
New York						
North Carolina						
North Dakota	0.03		0.00	0.00		
Ohio						
Oklahoma	0.03	0.09	0.16	0.10	2.70	0.64
Oregon	0.19	0.20	0.24	0.20	1.01	0.86
Pennsylvania	0.03	0.01	0.01		*0.22*	
Rhode Island	0.00	0.00	0.00	0.00		
South Carolina	0.02	0.01	0.01		*0.32*	
South Dakota	0.00	0.00	0.00	0.00		
Tennessee	0.06	0.01	0.01		*0.12*	
Texas						
Utah	0.39	0.14	0.34	0.14	*0.35*	*0.41*

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Vermont						
Virginia	0.05	0.06	0.01	0.06	1.32	*5.03*
Washington	0.20	0.04	0.18	0.04	*0.22*	*0.23*
West Virginia	0.00	0.00	0.00	0.00		
Wisconsin						
Wyoming	0.01		0.00	0.00		

Notes: See Table A.1.

Table A.11. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Blacks, Professional, Scientific and Technical Services, 2007

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	4.41	1.69	1.79	1.47	*0.38*	*0.82*
Alabama	8.34	2.77	2.47	2.40	*0.33*	0.97
Alaska	1.69	0.46	1.33	0.33	*0.27*	*0.25*
Arizona	1.41	0.61	0.95	0.45	*0.44*	*0.47*
Arkansas	4.17	0.84	1.04	0.42	*0.20*	*0.40*
California	2.82	1.22	1.45	1.06	*0.43*	0.73
Colorado	1.35	0.85	0.88	0.83	*0.63*	0.94
Connecticut	3.17	0.53	1.04	0.28	*0.17*	*0.27*
Delaware	6.30	1.06			*0.17*	
District of Columbia	16.69	7.26	9.90	6.85	*0.43*	*0.69*
Florida	4.87	1.78	2.39	1.56	*0.36*	*0.65*
Georgia	13.76	4.16	4.75	3.57	*0.30*	*0.75*
Hawaii	0.74	2.15	0.74	2.64	*2.92*	3.57
Idaho	0.26	0.06	0.03		*0.22*	
Illinois	5.19	1.69	1.55	1.40	*0.33*	0.90
Indiana	3.32	1.75	1.37	1.63	*0.53*	1.20
Iowa	0.92	0.26	0.52	0.24	*0.28*	0.46
Kansas	1.66	0.27	0.26	0.14	*0.16*	0.53
Kentucky	2.29	0.93	0.84	0.72	*0.41*	0.86
Louisiana	8.67	2.02	2.38	1.58	*0.23*	0.66
Maine						
Maryland	14.65	7.75	6.38	7.24	*0.53*	1.14
Massachusetts	1.99	0.49	0.68	0.32	*0.25*	*0.48*
Michigan	5.03	1.98	1.75	1.57	*0.39*	0.90
Minnesota	2.22	1.06	0.66	0.78	*0.48*	1.18
Mississippi	10.86	2.27	3.07	1.29	*0.21*	*0.42*
Missouri	3.54	1.41	1.44	1.30	*0.40*	0.90
Montana	0.20	0.10	0.03		*0.48*	
Nebraska	0.93	0.52	0.11	0.49	*0.56*	*4.43*
Nevada	3.01	0.59	1.77	0.42	*0.20*	*0.24*
New Hampshire	0.50	0.20			*0.40*	
New Jersey	4.62	1.95	1.97	1.81	*0.42*	0.92
New Mexico	1.39	0.83	0.55	0.64	*0.60*	1.16
New York	5.55	1.11	1.97	0.74	*0.20*	*0.38*
North Carolina	7.14	2.24	2.79	1.90	*0.31*	*0.68*
North Dakota	0.20		0.08			
Ohio	3.86	1.88	1.25	1.79	*0.49*	*1.44*
Oklahoma	2.09	1.29	0.85	1.34	*0.62*	1.56
Oregon	0.53	0.44	0.46	0.46	0.84	1.00
Pennsylvania	3.10	1.09	1.04	0.77	*0.35*	0.74
Rhode Island	1.94	0.51	0.26	0.27	*0.26*	1.03
South Carolina	7.14	1.50	2.16	0.95	*0.21*	*0.44*
South Dakota						
Tennessee	4.96	1.75	2.22	1.21	*0.35*	*0.55*
Texas	4.98	1.25	1.91	0.92	*0.25*	*0.48*
Utah	0.30	0.14	0.25	0.14	*0.46*	0.57

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Vermont						
Virginia	5.90	3.34	2.91	3.32	*0.57*	1.14
Washington	1.36	0.56	0.64	0.45	*0.42*	0.70
West Virginia	1.37	0.31	0.40	0.09	*0.22*	*0.24*
Wisconsin	1.52	0.79	0.79	0.77	*0.52*	0.98
Wyoming	0.29	0.06	0.18	0.05	*0.22*	*0.29*

Notes: See Table A.1.

Table A.12. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Hispanics, Professional, Scientific and Technical Services, 2007

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	4.99	3.00	3.43	2.75	0.60	0.80
Alabama	1.10	4.21	0.50	4.69	3.81	9.44
Alaska	1.35	0.85	0.70	0.83	0.63	1.19
Arizona	6.46	3.54	4.71	3.35	0.55	0.71
Arkansas	1.25	0.48	0.31	0.19	0.38	0.59
California	8.03	4.22	5.38	3.81	0.53	0.71
Colorado	3.98	2.38	2.40	2.03	0.60	0.85
Connecticut	2.42	1.76	1.09	1.66	0.73	1.52
Delaware						
District of Columbia	6.05	4.15	4.59	4.24	0.69	0.92
Florida	16.04	10.80	12.05	10.14	0.67	0.84
Georgia	2.49	1.52	1.27	1.34	0.61	1.06
Hawaii	4.12	2.21			0.54	
Idaho	1.58	1.75	1.50	1.93	1.10	1.28
Illinois	3.28	1.72	1.90	1.62	0.52	0.85
Indiana	1.74	0.61	1.13	0.56	0.35	0.50
Iowa	0.69	0.24			0.34	
Kansas	1.82	0.74	1.05	0.65	0.40	0.62
Kentucky	1.10	0.38	0.66	0.30	0.35	0.45
Louisiana	2.29	2.04	1.83	1.92	0.89	1.05
Maine	0.27	0.11	0.23	0.08	0.40	0.37
Maryland	3.14	3.54	2.77	3.68	1.13	1.33
Massachusetts	1.95	0.99	1.04	0.82	0.51	0.79
Michigan	1.16	0.80	0.76	0.78	0.69	1.02
Minnesota	0.94	0.59	0.52	0.57	0.63	1.09
Mississippi	0.40	0.31	0.34	0.29	0.76	0.86
Missouri	1.31	1.03	0.74	1.06	0.79	1.42
Montana	0.40	0.23	0.23	0.19	0.58	0.82
Nebraska	1.36	0.68	0.36	0.56	0.50	1.55
Nevada	4.92	2.48	3.35	2.11	0.50	0.63
New Hampshire	0.91	0.34			0.37	
New Jersey	4.09	1.88	2.65	1.70	0.46	0.64
New Mexico	14.37	12.51	12.15	11.66	0.87	0.96
New York	4.88	1.92	2.47	1.57	0.39	0.63
North Carolina	2.29	0.82	0.91	0.62	0.36	0.68
North Dakota	1.03		0.23			
Ohio	1.20	1.00	0.86	0.99	0.84	1.15
Oklahoma	1.81	0.77	1.55	0.68	0.43	0.44
Oregon	2.12	0.87	1.25	0.73	0.41	0.58
Pennsylvania	1.27	0.56	0.92	0.46	0.44	0.50
Rhode Island	2.65	0.93	0.79	0.61	0.35	0.78
South Carolina	1.16	0.75	0.46	0.56	0.65	1.23
South Dakota	1.14	0.76	0.31	0.74	0.67	2.42
Tennessee	1.13	0.66	0.87	0.67	0.59	0.77
Texas	10.57	5.62	7.68	5.03	0.53	0.66
Utah	2.22	1.62	1.37	1.64	0.73	1.19

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Vermont	0.57	0.21	0.32	0.13	0.36	0.41
Virginia	3.02	3.40	1.88	3.52	1.12	1.87
Washington	2.57	1.27	1.84	1.13	0.49	0.61
West Virginia	0.93	0.56	0.47	0.18	0.61	0.39
Wisconsin	0.98	1.29	0.70	1.36	1.32	1.93
Wyoming	1.26	1.68	1.30	1.86	1.33	1.44

Notes: See Table A.1.

Table A.13. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Asians, Professional, Scientific and Technical Services, 2007

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	5.75	5.66	5.29	5.77	0.98	*1.09*
Alabama	1.19	4.47	0.83	4.96	*3.74*	5.97
Alaska	1.89	0.64	0.28		*0.34*	
Arizona	3.00	2.80	2.23	2.93	0.93	1.31
Arkansas	0.85	1.10	0.59	1.23	1.30	2.10
California	13.86	9.98	12.23	9.80	*0.72*	*0.80*
Colorado	2.23	3.05	2.23	3.31	1.37	1.48
Connecticut	3.31	3.67	2.40	3.89	1.11	*1.62*
Delaware	6.78	8.36	8.70	8.71	1.23	1.00
District of Columbia	4.60	5.28	4.10	5.43	1.15	1.32
Florida	2.15	2.25	2.21	2.33	1.05	1.05
Georgia	4.33	5.05	5.34	5.45	1.17	1.02
Hawaii	44.50	46.53	44.04	48.36	1.05	1.10
Idaho	1.85	1.56	1.05	1.55	0.84	1.48
Illinois	5.75	5.14	5.60	4.92	0.90	0.88
Indiana	1.53	1.73	1.06	1.76	1.13	*1.67*
Iowa	1.65	2.90	2.26	3.22	1.76	1.43
Kansas	1.75	2.40	1.91	2.63	1.37	1.38
Kentucky	1.33	1.56	1.73	1.71	1.17	0.98
Louisiana	1.36	1.00	0.79	1.02	*0.74*	1.29
Maine	0.97	1.36	0.68	1.49	1.40	2.19
Maryland	6.85	10.00	6.49	10.60	*1.46*	*1.63*
Massachusetts	4.28	4.39	3.76	4.66	1.03	1.24
Michigan	3.22	6.49	3.51	7.03	*2.01*	*2.01*
Minnesota	2.72	3.04	3.01	3.28	1.12	1.09
Mississippi	1.23	0.79	0.72	0.81	*0.64*	1.13
Missouri	1.69	2.49	1.86	2.61	1.48	1.40
Montana	0.66	1.08	0.97	1.09	1.65	1.12
Nebraska	1.82	1.76	1.77	1.48	0.97	0.84
Nevada	5.16	2.76	3.66	2.41	*0.54*	*0.66*
New Hampshire	2.00	3.49	2.59	4.01	*1.74*	1.55
New Jersey	11.49	13.30	15.12	14.14	1.16	0.94
New Mexico	1.61	4.58	1.63	5.30	*2.85*	*3.25*
New York	7.71	4.39	5.61	4.03	*0.57*	*0.72*
North Carolina	2.12	2.87	2.45	2.98	1.36	1.22
North Dakota	0.81	1.22	0.46	1.26	1.50	2.72
Ohio	2.35	3.52	2.60	3.78	*1.50*	1.46
Oklahoma	1.27	1.31	0.93	1.39	1.03	1.49
Oregon	3.75	2.53	3.38	2.52	*0.67*	0.74
Pennsylvania	2.79	3.66	3.43	3.91	*1.31*	1.14
Rhode Island	1.41	0.49			*0.35*	
South Carolina	1.09	0.91	0.93	0.85	0.83	0.92
South Dakota	0.60	0.59	0.31	0.54	0.99	*1.76*
Tennessee	1.52	3.35	1.72	3.73	*2.20*	2.17
Texas	5.18	4.04	5.15	3.95	*0.78*	*0.77*
Utah	1.45	1.95	1.37	2.01	1.34	1.46

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Vermont	0.73		0.37			
Virginia	7.25	12.30	9.53	13.14	*1.70*	*1.38*
Washington	5.69	4.49	5.05	4.22	*0.79*	0.84
West Virginia	1.46	1.84	0.71	1.77	1.25	*2.48*
Wisconsin	1.81	3.17	2.66	3.29	*1.75*	1.23
Wyoming	0.74	1.60	0.95	1.78	2.16	1.89

Notes: See Table A.1.

Table A.14. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, American Indians and Alaska Natives, Professional, Scientific and Technical Services, 2007

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	0.64	0.35	0.40	0.29	*0.54*	*0.73*
Alabama	0.76	0.50	0.62	0.49	0.66	0.79
Alaska	8.48	2.53	0.84	2.20	*0.30*	*2.62*
Arizona	1.76	0.45	0.63	0.30	*0.26*	*0.47*
Arkansas	0.66	0.49	0.33	0.34	0.75	1.02
California	0.84	0.30			*0.35*	
Colorado	0.68	0.52	0.63	0.51	0.76	0.80
Connecticut	0.35	0.26	0.22	0.17	0.75	0.76
Delaware						
District of Columbia	1.40	0.47	0.59	0.41	*0.33*	0.70
Florida	0.42	0.22	0.23	0.15	*0.52*	0.68
Georgia	0.36	0.25	0.40	0.23	0.67	0.57
Hawaii	0.44	0.22			*0.50*	
Idaho	0.55	1.01	0.86	1.13	1.82	1.31
Illinois						
Indiana	0.64	0.37	0.44	0.34	0.58	0.77
Iowa	0.15	0.07	0.37	0.07	*0.43*	*0.20*
Kansas	0.64	0.32	0.42	0.31	0.50	0.73
Kentucky						
Louisiana	0.85	0.35	0.33	0.30	*0.42*	0.92
Maine	0.24	0.12	0.13	0.10	*0.51*	0.74
Maryland	0.68	0.35	0.36	0.29	*0.52*	0.79
Massachusetts	0.30	0.12			*0.39*	
Michigan	0.71	0.36			*0.50*	
Minnesota						
Mississippi						
Missouri	0.36	0.23	0.35	0.16	0.62	*0.45*
Montana	1.09	0.67	0.55	0.57	*0.62*	1.04
Nebraska	0.20	0.27	0.22	0.25	1.36	1.14
Nevada	0.50	0.65	0.35	0.73	1.30	*2.06*
New Hampshire	0.19	0.11	0.21	0.11	*0.57*	0.53
New Jersey	0.27	0.23	0.13	0.22	0.86	1.71
New Mexico	2.81	2.40	1.88	2.13	0.86	1.13
New York	0.31	0.22	0.15	0.19	0.72	1.30
North Carolina	0.56	0.23	0.47	0.22	*0.41*	*0.47*
North Dakota	1.12	0.49	0.54	0.30	*0.43*	*0.56*
Ohio	0.15	0.06	0.09	0.03	*0.41*	*0.28*
Oklahoma	4.98	4.70	5.78	4.66	0.94	0.81
Oregon	0.70	0.22			*0.31*	
Pennsylvania						
Rhode Island	0.25	0.03	0.04		*0.12*	
South Carolina						
South Dakota	1.21	1.03	0.80	0.92	0.85	1.15
Tennessee	1.02	0.68	0.69	0.67	0.67	0.97
Texas	0.64	0.30	0.24	0.23	*0.48*	0.98
Utah	0.21	0.09			*0.45*	

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Vermont						
Virginia	0.45	0.54	0.35	0.57	1.19	1.65
Washington	1.07	0.56	0.45	0.50	*0.53*	1.11
West Virginia						
Wisconsin	0.48	0.10	0.27	0.05	*0.21*	*0.18*
Wyoming	0.51	0.33	0.41	0.37	0.65	0.90

Notes: See Table A.1.

Table A.15. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Native Hawaiians and Pacific Islanders, Professional, Scientific and Technical Services, 2007

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	0.10	0.08	0.06	0.08	0.83	1.25
Alabama						
Alaska						
Arizona	0.05	0.03	0.06	0.03	0.64	0.60
Arkansas	0.02	0.42	0.02		*18.90*	
California	0.19	0.18			0.96	
Colorado						
Connecticut						
Delaware	0.01		0.00	0.00		
District of Columbia	0.03		0.00	0.00		
Florida	0.02	0.00	0.02	0.00	*0.18*	*0.22*
Georgia						
Hawaii	6.28	4.42	3.88	4.04	*0.70*	1.04
Idaho	0.14	0.02			*0.15*	
Illinois						
Indiana	0.01	0.20	0.03	0.23	*15.15*	*8.67*
Iowa						
Kansas						
Kentucky	0.02	0.01	0.01		0.57	
Louisiana						
Maine	0.01		0.00	0.00		
Maryland	0.07	0.29	0.10	0.34	4.15	3.47
Massachusetts	0.01		0.02			
Michigan	0.05	0.07	0.01		1.47	
Minnesota						
Mississippi	0.02		0.00	0.00		
Missouri						
Montana	0.01		0.00	0.00		
Nebraska	0.01		0.03			
Nevada	0.11	0.19	0.21	0.23	1.66	1.09
New Hampshire	0.07	0.05	0.03		0.68	
New Jersey						
New Mexico	0.02	0.01	0.00	0.00	*0.70*	
New York						
North Carolina	0.01	0.00	0.00	0.00	*0.08*	
North Dakota						
Ohio	0.02	0.03	0.01		1.58	
Oklahoma	0.08	0.01	0.00	0.00	*0.06*	
Oregon						
Pennsylvania						
Rhode Island	0.00	0.00	0.00	0.00		
South Carolina						
South Dakota	0.00	0.00	0.00	0.00		
Tennessee	0.04	0.00	0.00	0.00	*0.09*	
Texas						
Utah	0.15	0.10	0.17	0.11	0.70	0.68

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Vermont	0.01		0.00	0.00		
Virginia	0.07	0.18	0.15	0.20	2.64	1.35
Washington	0.13	0.06	0.09	0.06	*0.45*	0.76
West Virginia	0.02		0.00	0.00		
Wisconsin						
Wyoming	0.00	0.00	0.00	0.00		

Notes: See Table A.1.

VII. Appendix B

Table B.1. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Blacks, All Industries, 2002

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	5.21	0.39	1.71	0.30	0.08	0.18
Alabama	9.26	0.62	2.96	0.46	*0.07*	*0.16*
Alaska	1.49	0.18	0.66	0.14	*0.12*	*0.22*
Arizona	1.66	0.16	0.66	0.13	*0.10*	*0.19*
Arkansas	4.28	0.27	1.38	0.18	*0.06*	*0.13*
California	3.88	0.35	1.48	0.26	*0.09*	*0.18*
Colorado	1.52	0.20	0.68	0.16	*0.13*	*0.24*
Connecticut	3.42	0.19	0.97	0.14	*0.05*	*0.14*
Delaware	6.70	0.18	1.97	0.11	*0.03*	*0.06*
Dist. of Columbia	25.86	1.47	9.23	1.28	*0.06*	*0.14*
Florida	6.63	0.53	1.95	0.36	*0.08*	*0.19*
Georgia	13.41	0.77	3.88	0.55	*0.06*	*0.14*
Hawaii	0.82	0.12	0.31	0.10	*0.15*	*0.33*
Idaho	0.31	0.08	0.34	0.07	*0.26*	*0.21*
Illinois	7.17	0.43	1.73	0.35	*0.06*	*0.20*
Indiana	3.24	0.35	1.28	0.31	*0.11*	*0.24*
Iowa	0.68	0.11	0.35	0.10	*0.16*	*0.29*
Kansas	2.04	0.16	0.96	0.13	*0.08*	*0.13*
Kentucky	2.52	0.39	0.92	0.35	*0.15*	*0.38*
Louisiana	12.24	0.59	3.55	0.40	*0.05*	*0.11*
Maine	0.24	0.04	0.10	0.03	*0.18*	*0.33*
Maryland	15.65	1.25	4.23	0.92	*0.08*	*0.22*
Massachusetts	2.27	0.19	0.87	0.15	*0.08*	*0.18*
Michigan	6.03	0.54	1.68	0.47	*0.09*	*0.28*
Minnesota	1.77	0.15	0.46	0.12	*0.08*	*0.27*
Mississippi	13.33	0.94	4.39	0.59	*0.07*	*0.13*
Missouri	3.81	0.30	1.73	0.24	*0.08*	*0.14*
Montana	0.22	0.03	n/a	n/a	*0.13*	
Nebraska	1.44	0.10	0.62	0.09	*0.07*	*0.14*
Nevada	2.56	0.29	1.08	0.23	*0.11*	*0.22*
New Hampshire	0.37	0.07	0.23	0.06	*0.19*	*0.26*
New Jersey	5.12	0.38	1.86	0.31	*0.07*	*0.16*
New Mexico	1.13	0.29	0.50	0.27	*0.26*	*0.53*
New York	7.58	0.43	1.81	0.31	*0.06*	*0.17*
North Carolina	8.11	0.59	3.07	0.45	*0.07*	*0.15*
North Dakota	0.14	0.03	n/a	n/a	*0.24*	
Ohio	4.36	0.40	1.56	0.34	*0.09*	*0.22*
Oklahoma	2.55	0.23	0.96	0.18	*0.09*	*0.19*
Oregon	0.74	0.15	0.39	0.13	*0.20*	*0.34*
Pennsylvania	2.83	0.22	1.17	0.18	*0.08*	*0.16*
Rhode Island	n/a	n/a	n/a	n/a		
South Carolina	9.77	0.63	3.31	0.42	*0.06*	*0.13*
South Dakota	0.18	0.10	0.11	0.10	*0.58*	0.90
Tennessee	5.90	0.40	2.16	0.29	*0.07*	*0.14*
Texas	5.12	0.35	1.79	0.26	*0.07*	*0.14*

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Utah	0.34	0.13	0.15	0.13	*0.38*	0.86
Vermont	0.29	0.05	0.15	0.05	*0.18*	*0.33*
Virginia	7.77	0.67	3.39	0.55	*0.09*	*0.16*
Washington	1.49	0.23	0.84	0.21	*0.16*	*0.25*
West Virginia	1.30	0.11	0.39	0.08	*0.08*	*0.22*
Wisconsin	1.70	0.15	0.76	0.12	*0.09*	*0.16*
Wyoming	0.28	0.03	0.24	0.02	*0.10*	*0.10*

Notes: The Disparity Index is derived by dividing the percentage of sales by the corresponding percentage of firms. A Disparity Index of zero indicates complete disparity while a value of 1 indicates parity. Disparity Indexes in italics are statistically significant at a 1-in-20 probability level or better.

Table B.2. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Hispanics, All Industries, 2002

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	6.85	0.98	3.61	0.82	0.14	0.23
Alabama	0.82	0.28	0.90	0.26	*0.34*	*0.29*
Alaska	2.00	0.37	1.85	0.34	*0.19*	*0.18*
Arizona	9.21	1.32	5.30	1.10	*0.14*	*0.21*
Arkansas	1.00	0.23	0.84	0.20	*0.23*	*0.24*
California	14.70	2.04	7.06	1.68	*0.14*	*0.24*
Colorado	5.17	1.33	3.48	1.21	*0.26*	*0.35*
Connecticut	3.12	0.33	1.70	0.28	*0.11*	*0.16*
Delaware	1.38	0.12	0.72	0.09	*0.09*	*0.12*
Dist. of Columbia	4.60	0.51	3.18	0.48	*0.11*	*0.15*
Florida	17.33	3.80	11.09	3.27	*0.22*	*0.29*
Georgia	2.71	0.57	1.66	0.48	*0.21*	*0.29*
Hawaii	3.12	0.73	2.05	0.66	*0.23*	*0.32*
Idaho	2.28	0.48	1.82	0.41	*0.21*	*0.23*
Illinois	4.13	0.64	2.69	0.57	*0.16*	*0.21*
Indiana	1.26	0.16	0.81	0.14	*0.13*	*0.17*
Iowa	0.65	0.12	0.58	0.11	*0.19*	*0.19*
Kansas	1.90	0.29	1.47	0.25	*0.15*	*0.17*
Kentucky	0.70	0.27	n/a	n/a	*0.39*	
Louisiana	2.33	0.60	1.63	0.56	*0.26*	*0.34*
Maine	0.54	0.15	0.32	0.13	*0.28*	*0.41*
Maryland	3.46	0.64	2.00	0.54	*0.19*	*0.27*
Massachusetts	2.83	0.32	1.41	0.26	*0.11*	*0.19*
Michigan	1.34	0.40	0.90	0.39	*0.30*	*0.43*
Minnesota	0.90	0.10	0.57	0.08	*0.11*	*0.14*
Mississippi	0.71	0.15	0.56	0.13	*0.21*	*0.22*
Missouri	0.83	0.15	0.63	0.14	*0.18*	*0.22*
Montana	0.96	0.22	n/a	n/a	*0.23*	
Nebraska	1.35	0.31	0.94	0.29	*0.23*	*0.31*
Nevada	5.75	1.11	3.18	0.96	*0.19*	*0.30*
New Hampshire	0.73	0.21	0.65	0.18	*0.28*	*0.28*
New Jersey	7.03	0.85	3.78	0.73	*0.12*	*0.19*
New Mexico	21.73	5.40	15.08	4.83	*0.25*	*0.32*
New York	9.58	0.71	3.26	0.56	*0.07*	*0.17*
North Carolina	1.41	0.30	1.09	0.25	*0.21*	*0.23*
North Dakota	0.41	0.04	0.25	0.03	*0.09*	*0.13*
Ohio	0.87	0.14	0.67	0.13	*0.16*	*0.19*
Oklahoma	1.87	0.58	1.40	0.53	*0.31*	*0.38*
Oregon	2.12	0.56	1.56	0.52	*0.26*	*0.34*
Pennsylvania	1.26	0.18	0.72	0.15	*0.14*	*0.21*
Rhode Island	3.91	0.32	1.20	0.20	*0.08*	*0.17*
South Carolina	1.03	0.27	0.90	0.25	*0.26*	*0.28*
South Dakota	0.51	0.20	0.49	0.19	*0.40*	*0.39*
Tennessee	0.95	0.23	0.92	0.21	*0.24*	*0.23*
Texas	18.41	2.33	9.47	1.88	*0.13*	*0.20*
Utah	2.68	0.38	1.82	0.32	*0.14*	*0.17*
Vermont	0.62	0.10	0.35	0.08	*0.15*	*0.22*

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Virginia	3.59	0.62	1.79	0.53	*0.17*	*0.30*
Washington	2.20	0.34	1.74	0.30	*0.16*	*0.18*
West Virginia	0.57	0.22	0.81	0.20	*0.38*	*0.25*
Wisconsin	0.95	0.22	0.77	0.21	*0.23*	*0.27*
Wyoming	2.49	0.66	1.95	0.63	*0.26*	*0.32*

Notes: See Table B.1.

Table B.3. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Asians, All Industries, 2002

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	4.80	1.45	5.78	1.33	0.30	0.23
Alabama	1.38	0.56	2.17	0.53	*0.41*	*0.24*
Alaska	3.07	0.91	4.05	0.82	*0.30*	*0.20*
Arizona	2.68	0.73	3.36	0.67	*0.27*	*0.20*
Arkansas	0.96	0.37	1.84	0.36	*0.39*	*0.19*
California	12.77	4.50	15.24	4.17	*0.35*	*0.27*
Colorado	2.35	0.64	2.94	0.58	*0.27*	*0.20*
Connecticut	2.38	0.48	3.24	0.41	*0.20*	*0.13*
Delaware	2.98	0.53	3.96	0.49	*0.18*	*0.12*
Dist. of Columbia	5.11	0.94	10.11	n/a	*0.18*	
Florida	2.68	1.04	3.78	0.99	*0.39*	*0.26*
Georgia	3.99	1.08	5.97	1.00	*0.27*	*0.17*
Hawaii	45.28	18.88	43.92	17.73	*0.42*	*0.40*
Idaho	0.91	0.39	1.29	0.38	*0.43*	*0.29*
Illinois	4.64	1.27	5.43	1.19	*0.27*	*0.22*
Indiana	1.40	0.54	2.11	0.52	*0.38*	*0.24*
Iowa	0.76	0.20	1.12	0.18	*0.26*	*0.16*
Kansas	1.62	0.39	2.36	0.36	*0.24*	*0.15*
Kentucky	1.08	0.48	1.89	0.47	*0.45*	0.25
Louisiana	2.50	0.55	3.07	0.47	*0.22*	*0.15*
Maine	0.62	0.27	1.28	0.26	*0.45*	*0.21*
Maryland	5.90	1.89	7.44	1.76	*0.32*	*0.24*
Massachusetts	3.21	0.77	3.76	0.72	*0.24*	*0.19*
Michigan	2.09	0.64	2.80	0.60	*0.31*	*0.21*
Minnesota	1.73	0.38	1.61	0.35	*0.22*	*0.22*
Mississippi	1.56	0.87	2.34	0.79	*0.56*	*0.34*
Missouri	1.45	0.42	2.19	0.40	*0.29*	*0.18*
Montana	0.51	0.22	0.90	0.22	*0.44*	0.24
Nebraska	1.00	0.49	1.53	0.49	*0.49*	*0.32*
Nevada	5.23	1.35	5.37	1.17	*0.26*	*0.22*
New Hampshire	1.22	0.43	2.07	0.39	*0.35*	*0.19*
New Jersey	7.33	2.18	8.46	2.06	*0.30*	*0.24*
New Mexico	1.73	0.73	2.52	0.69	*0.42*	*0.27*
New York	8.50	1.76	8.40	1.58	*0.21*	*0.19*
North Carolina	2.13	0.58	2.84	0.54	*0.27*	*0.19*
North Dakota	0.49	0.25	0.97	0.25	*0.52*	*0.26*
Ohio	1.68	0.57	2.71	0.54	*0.34*	*0.20*
Oklahoma	1.57	0.47	2.28	0.42	*0.30*	*0.18*
Oregon	3.02	0.87	3.42	0.76	*0.29*	*0.22*
Pennsylvania	2.59	0.69	3.17	0.63	*0.27*	*0.20*
Rhode Island	1.75	0.49	1.78	0.44	*0.28*	*0.25*
South Carolina	1.51	0.81	2.47	0.79	*0.54*	*0.32*
South Dakota	0.43	0.15	0.46	0.14	*0.34*	*0.31*
Tennessee	1.59	0.50	2.86	0.47	*0.31*	*0.16*
Texas	4.49	1.14	5.99	1.04	*0.25*	*0.17*
Utah	1.46	0.48	1.81	0.45	*0.33*	*0.25*
Vermont	0.60	0.17	1.00	n/a	*0.28*	

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Virginia	5.75	1.38	6.05	1.27	*0.24*	*0.21*
Washington	5.75	1.59	6.01	1.46	*0.28*	*0.24*
West Virginia	1.09	0.51	2.12	0.50	*0.47*	*0.23*
Wisconsin	1.26	0.34	1.61	0.32	*0.27*	*0.20*
Wyoming	0.76	0.25	1.34	0.24	*0.33*	*0.18*

Notes: See Table B.1.

Table B.4. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, American Indians and Alaska Natives, All Industries, 2002

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	0.88	0.12	0.44	0.10	0.14	0.23
Alabama	0.94	0.18	0.69	0.16	*0.19*	*0.23*
Alaska	8.29	6.02	4.76	6.07	*0.73*	*1.28*
Arizona	1.72	0.17	0.49	0.14	*0.10*	*0.29*
Arkansas	1.09	0.19	0.50	0.16	*0.18*	*0.31*
California	1.31	0.14	0.54	0.11	*0.11*	*0.20*
Colorado	0.85	0.14	0.50	0.11	*0.16*	*0.23*
Connecticut	0.40	0.04	n/a	n/a	*0.09*	
Delaware	n/a	n/a	n/a	n/a		
Dist. of Columbia	0.47	0.05	0.33	0.05	*0.10*	*0.14*
Florida	0.64	0.06	0.23	0.04	*0.09*	*0.16*
Georgia	0.66	0.08	0.42	0.06	*0.12*	*0.15*
Hawaii	0.90	0.15	n/a	n/a	*0.17*	
Idaho	0.94	0.28	0.54	0.26	*0.30*	*0.48*
Illinois	0.35	0.04	0.20	0.03	*0.11*	*0.16*
Indiana	0.45	0.05	0.27	0.05	*0.12*	*0.17*
Iowa	0.27	0.04	n/a	n/a	*0.13*	
Kansas	0.79	0.15	0.60	0.14	*0.20*	*0.24*
Kentucky	0.44	0.03	0.15	0.02	*0.06*	*0.11*
Louisiana	0.82	0.10	0.30	0.08	*0.12*	*0.27*
Maine	0.50	0.06	0.32	0.05	*0.13*	*0.15*
Maryland	0.81	0.11	0.35	0.09	*0.13*	*0.24*
Massachusetts	0.40	0.06	0.24	0.05	*0.14*	*0.20*
Michigan	0.73	0.09	0.40	0.08	*0.12*	*0.19*
Minnesota	0.62	0.07	0.43	0.06	*0.11*	*0.15*
Mississippi	0.36	0.05	n/a	n/a	*0.12*	
Missouri	0.75	0.08	0.39	0.06	*0.10*	*0.14*
Montana	1.98	0.48	1.26	0.43	*0.24*	*0.34*
Nebraska	0.29	0.03	0.11	0.03	*0.11*	*0.25*
Nevada	1.12	0.14	0.59	0.10	*0.13*	*0.17*
New Hampshire	0.42	0.06	0.29	0.05	*0.15*	*0.17*
New Jersey	0.37	0.03	0.18	0.02	*0.09*	*0.14*
New Mexico	4.99	0.52	1.14	0.45	*0.11*	*0.39*
New York	0.65	0.04	0.23	0.03	*0.06*	*0.13*
North Carolina	0.93	0.10	0.55	0.07	*0.11*	*0.14*
North Dakota	1.50	0.29	0.55	0.26	*0.19*	*0.48*
Ohio	0.38	0.05	0.20	0.05	*0.14*	*0.23*
Oklahoma	5.86	1.28	3.53	1.10	*0.22*	*0.31*
Oregon	1.02	0.14	0.53	0.10	*0.13*	*0.20*
Pennsylvania	n/a	n/a	n/a	n/a		
Rhode Island	0.51	0.04	0.13	0.02	*0.08*	*0.19*
South Carolina	0.49	0.06	0.32	0.05	*0.12*	*0.16*
South Dakota	1.87	0.22	0.73	0.21	*0.12*	*0.28*
Tennessee	0.78	0.15	0.38	0.12	*0.19*	*0.32*
Texas	0.93	0.17	0.61	0.15	*0.19*	*0.25*
Utah	0.59	0.06	0.36	0.05	*0.09*	*0.13*
Vermont	0.41	0.11	0.18	0.10	*0.27*	*0.54*

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Virginia	0.50	0.08	0.36	0.07	*0.17*	*0.19*
Washington	1.23	0.22	0.72	0.19	*0.18*	*0.27*
West Virginia	0.36	0.04	0.30	0.03	*0.11*	*0.09*
Wisconsin	0.64	0.10	0.35	0.09	*0.15*	*0.25*
Wyoming	1.12	0.18	0.87	0.15	*0.16*	*0.18*

Notes: See Table 1B.

Table B.5. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Native Hawaiians and Pacific Islanders, All Industries, 2002

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	0.13	0.02	0.07	0.02	0.15	0.24
Alabama	0.03	0.00	0.01	0.00	*0.06*	*0.24*
Alaska	0.24	0.02	0.22	n/a	*0.09*	
Arizona	0.09	0.01	0.07	0.01	*0.13*	*0.14*
Arkansas	0.03	0.00	n/a	n/a	*0.09*	
California	0.24	0.04	0.15	0.03	*0.18*	*0.22*
Colorado	0.08	0.01	0.05	0.01	*0.11*	*0.16*
Connecticut	0.06	0.02	n/a	n/a	*0.36*	
Delaware	0.03	n/a	n/a	n/a		
Dist. of Columbia	n/a	n/a	n/a	n/a		
Florida	0.10	0.01	0.04	0.00	*0.07*	*0.13*
Georgia	0.03	0.00	0.03	0.00	*0.13*	*0.08*
Hawaii	8.42	2.16	4.26	1.98	*0.26*	*0.46*
Idaho	0.08	0.01	n/a	n/a	*0.15*	
Illinois	0.07	n/a	n/a	n/a		
Indiana	0.03	0.02	n/a	n/a	*0.61*	
Iowa	0.01	0.00	0.00	n/a	*0.39*	
Kansas	0.02	0.01	n/a	n/a	*0.42*	
Kentucky	0.02	n/a	0.00	n/a		
Louisiana	n/a	n/a	n/a	n/a		
Maine	n/a	n/a	n/a	n/a		
Maryland	0.02	n/a	0.04	0.01		*0.24*
Massachusetts	n/a	n/a	n/a	n/a		
Michigan	0.03	0.00	n/a	n/a	*0.17*	
Minnesota	n/a	n/a	n/a	n/a		
Mississippi	0.07	0.00	n/a	n/a	*0.07*	
Missouri	0.02	0.01	n/a	n/a	*0.35*	
Montana	0.04	0.00	n/a	n/a	*0.12*	
Nebraska	0.01	n/a	0.00	0.00		
Nevada	0.18	0.04	n/a	n/a	*0.20*	
New Hampshire	0.01	n/a	n/a	n/a		
New Jersey	0.06	0.00	n/a	n/a	*0.07*	
New Mexico	0.10	0.02	n/a	n/a	*0.19*	
New York	0.18	0.01	0.04	n/a	*0.04*	
North Carolina	0.03	0.00	n/a	n/a	*0.07*	
North Dakota	0.00	n/a	0.00	0.00		
Ohio	n/a	n/a	n/a	n/a		
Oklahoma	0.10	0.00	0.03	0.00	*0.05*	*0.10*
Oregon	0.12	0.02	0.08	0.02	*0.18*	*0.21*
Pennsylvania	0.03	0.00	n/a	n/a	*0.13*	
Rhode Island	n/a	n/a	n/a	n/a		
South Carolina	0.01	0.00	n/a	n/a	*0.29*	
South Dakota	0.02	n/a	0.01	n/a		
Tennessee	n/a	n/a	n/a	n/a		
Texas	0.08	0.00	n/a	n/a	*0.05*	
Utah	0.22	0.10	0.18	0.10	*0.47*	0.58
Vermont	n/a	n/a	n/a	n/a		

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Virginia	0.08	0.03	0.07	n/a	*0.32*	
Washington	0.16	0.05	0.09	0.05	*0.33*	*0.55*
West Virginia	0.01	n/a	0.00	0.00		
Wisconsin	0.03	0.00	0.01	0.00	*0.03*	*0.12*
Wyoming	0.04	0.00	0.00	0.00	*0.04*	

Notes: See Table B.1.

Table B.6. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Blacks, Construction, 2002

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	2.70	0.73	1.20	0.62	0.27	0.52
Alabama	5.71	1.09	3.12	0.74	*0.19*	*0.24*
Alaska	0.44	0.13	0.23	0.11	*0.30*	*0.46*
Arizona	0.57	0.10	0.20	0.09	*0.18*	0.45
Arkansas	2.60	1.38	n/a	n/a	0.53	
California	2.10	0.47	1.05	0.40	*0.22*	*0.38*
Colorado	0.65	0.24	n/a	n/a	*0.36*	
Connecticut	2.13	0.39	0.97	0.28	*0.18*	*0.28*
Delaware	n/a	n/a	n/a	n/a		
Dist. of Columbia	34.90	n/a	17.16	7.05		*0.41*
Florida	4.15	0.59	1.67	0.45	*0.14*	*0.27*
Georgia	6.19	1.68	2.96	1.42	*0.27*	*0.48*
Hawaii	n/a	n/a	n/a	n/a		
Idaho	n/a	n/a	n/a	n/a		
Illinois	2.79	0.80	0.94	0.74	*0.29*	*0.79*
Indiana	0.89	0.97	0.65	1.02	*1.09*	*1.57*
Iowa	0.22	0.15	0.13	0.14	*0.68*	*1.04*
Kansas	1.09	0.52	1.17	0.48	*0.48*	*0.41*
Kentucky	n/a	n/a	n/a	n/a		
Louisiana	9.90	1.34	2.92	0.77	*0.14*	*0.26*
Maine	0.04	n/a	0.04	n/a		
Maryland	7.12	2.05	2.69	1.82	*0.29*	*0.68*
Massachusetts	1.18	0.55	0.59	0.51	*0.47*	*0.87*
Michigan	1.64	1.33	0.85	1.32	*0.81*	*1.55*
Minnesota	0.73	0.18	0.11	0.15	*0.25*	*1.40*
Mississippi	10.47	2.14	5.65	0.98	*0.20*	*0.17*
Missouri	1.50	0.62	0.77	0.60	*0.41*	*0.78*
Montana	n/a	n/a	n/a	n/a		
Nebraska	0.51	n/a	0.54	n/a		
Nevada	1.18	0.37	n/a	n/a	*0.31*	
New Hampshire	n/a	n/a	n/a	n/a		
New Jersey	2.42	0.58	1.31	0.47	*0.24*	*0.36*
New Mexico	0.60	0.16	n/a	n/a	*0.27*	
New York	4.86	0.77	1.52	0.67	*0.16*	*0.44*
North Carolina	4.22	0.87	n/a	n/a	*0.21*	
North Dakota	0.00	0.00	0.00	0.00		
Ohio	2.04	1.45	1.37	1.50	*0.71*	*1.10*
Oklahoma	1.41	0.32	0.26	0.16	*0.23*	*0.61*
Oregon	0.41	0.30	0.38	0.31	*0.74*	*0.80*
Pennsylvania	1.41	0.38	0.54	0.35	*0.27*	*0.64*
Rhode Island	n/a	n/a	n/a	n/a		
South Carolina	6.65	1.44	3.95	0.99	*0.22*	*0.25*
South Dakota	n/a	n/a	n/a	n/a		
Tennessee	2.72	0.70	1.39	0.57	*0.26*	*0.41*
Texas	2.16	0.57	0.92	0.41	*0.26*	*0.45*
Utah	0.25	0.03	0.02	n/a	*0.12*	
Vermont	n/a	n/a	n/a	n/a		

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Virginia	4.10	1.05	2.71	0.88	*0.26*	*0.33*
Washington	0.55	0.28	n/a	n/a	*0.52*	
West Virginia	0.54	0.94	0.29	0.97	*1.73*	*3.32*
Wisconsin	0.54	0.40	n/a	n/a	*0.75*	
Wyoming	0.13	n/a	n/a	n/a		

Notes: See Table B.1.

Table B.7. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Hispanics, Construction, 2002

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	7.64	2.37	3.45	1.87	0.31	0.54
Alabama	1.23	0.44	1.32	0.28	*0.36*	*0.21*
Alaska	2.20	0.86	2.50	0.81	*0.39*	*0.32*
Arizona	11.66	2.73	6.97	2.47	*0.23*	*0.35*
Arkansas	1.50	0.76	0.44	0.66	*0.51*	*1.48*
California	15.38	4.30	8.25	3.71	*0.28*	*0.45*
Colorado	7.35	2.61	5.50	2.22	*0.36*	*0.40*
Connecticut	3.50	0.64	1.67	0.44	*0.18*	*0.26*
Delaware	1.16	0.58	0.25	0.36	*0.50*	*1.45*
Dist. of Columbia	19.76	n/a	10.65	n/a	n/a	
Florida	17.44	5.15	8.25	3.90	*0.30*	*0.47*
Georgia	5.77	1.39	1.95	0.62	*0.24*	*0.32*
Hawaii	3.40	1.31	3.05	n/a	*0.38*	
Idaho	2.01	1.63	1.93	1.67	*0.81*	*0.87*
Illinois	4.52	1.52	2.24	1.38	*0.34*	*0.61*
Indiana	1.67	0.73	0.97	0.62	*0.44*	*0.64*
Iowa	0.73	0.29	0.46	0.18	*0.39*	*0.40*
Kansas	2.49	1.53	n/a	n/a	*0.61*	
Kentucky	0.79	0.43	0.41	0.32	*0.55*	*0.77*
Louisiana	3.23	1.84	0.82	1.70	*0.57*	*2.07*
Maine	0.31	0.33	0.28	0.37	*1.04*	*1.34*
Maryland	8.43	1.89	3.13	1.44	*0.22*	*0.46*
Massachusetts	2.05	0.75	1.15	0.67	*0.37*	*0.58*
Michigan	1.33	0.75	0.95	0.70	*0.57*	0.73
Minnesota	0.88	0.42	0.67	0.35	*0.47*	*0.52*
Mississippi	0.75	0.57	0.31	0.49	*0.76*	*1.59*
Missouri	0.72	0.43	0.68	0.41	*0.59*	*0.60*
Montana	n/a	n/a	n/a	n/a		
Nebraska	1.35	0.33	n/a	n/a	*0.24*	
Nevada	7.05	2.70	3.93	2.64	*0.38*	*0.67*
New Hampshire	n/a	n/a	n/a	n/a		
New Jersey	6.97	2.13	3.33	1.83	*0.31*	*0.55*
New Mexico	29.50	17.20	25.44	15.39	*0.58*	*0.60*
New York	7.59	1.72	2.74	1.48	*0.23*	*0.54*
North Carolina	2.26	1.11	1.32	0.72	*0.49*	*0.55*
North Dakota	n/a	n/a	n/a	n/a		
Ohio	0.76	0.32	0.58	0.27	*0.42*	*0.47*
Oklahoma	2.27	1.03	1.49	0.82	*0.46*	*0.55*
Oregon	1.69	1.10	1.92	1.10	*0.65*	*0.57*
Pennsylvania	1.22	0.36	0.65	0.28	*0.29*	*0.44*
Rhode Island	n/a	n/a	n/a	n/a		
South Carolina	1.41	0.67	1.13	0.58	*0.48*	*0.51*
South Dakota	n/a	n/a	n/a	n/a		
Tennessee	1.47	0.34	0.71	0.22	*0.23*	*0.31*
Texas	30.86	7.30	11.30	4.71	*0.24*	*0.42*
Utah	2.78	0.77	1.60	0.68	*0.28*	*0.43*
Vermont	n/a	n/a	n/a	n/a		

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Virginia	7.24	1.99	2.10	1.41	*0.28*	*0.67*
Washington	1.67	0.76	1.78	0.76	*0.45*	*0.43*
West Virginia	0.35	0.96	0.41	1.02	*2.75*	*2.50*
Wisconsin	0.70	0.37	0.58	0.35	*0.53*	*0.61*
Wyoming	1.23	0.44	1.32	0.28	*0.36*	*0.21*

Notes: See Table B.1.

Table B.8. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Asians, Construction, 2002

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	1.40	0.73	1.01	0.67	0.52	0.66
Alabama						
Alaska	1.73	0.43	0.67	0.32	*0.25*	0.48
Arizona	0.55	0.14	n/a	n/a	*0.25*	
Arkansas	n/a	n/a	n/a	n/a		
California	4.77	1.55	3.57	1.30	*0.32*	*0.36*
Colorado	0.88	0.21	0.54	0.17	*0.24*	*0.31*
Connecticut	0.30	0.26	0.27	0.27	*0.86*	*1.01*
Delaware	n/a	n/a	n/a	n/a		
Dist. of Columbia	2.69	n/a	6.80	n/a		
Florida	0.75	0.36	0.45	0.35	*0.48*	*0.78*
Georgia	0.69	0.40	n/a	n/a	*0.58*	
Hawaii	37.27	27.68	35.62	27.67	*0.74*	*0.78*
Idaho	0.31	0.16	0.24	0.14	*0.51*	*0.58*
Illinois	0.80	0.60	0.65	0.59	*0.74*	*0.90*
Indiana	0.35	0.08	n/a	n/a	*0.23*	
Iowa	n/a	n/a	n/a	n/a		
Kansas	0.32	0.06	n/a	n/a	*0.19*	
Kentucky	0.17	0.27	0.20	0.29	*1.62*	*1.50*
Louisiana	0.63	0.21	n/a	n/a	*0.34*	
Maine	n/a	n/a	n/a	n/a		
Maryland	4.14	1.28	1.49		*0.31*	
Massachusetts	1.21	1.03	0.54	1.03	*0.85*	*1.90*
Michigan	0.34	0.25	0.26	0.24	0.72	*0.95*
Minnesota	0.47	0.44	n/a	n/a	*0.92*	
Mississippi	n/a	n/a	n/a	n/a		
Missouri	0.23	0.29	0.23	n/a	*1.22*	
Montana	0.18	0.15	n/a	n/a	*0.87*	
Nebraska	n/a	n/a	n/a	n/a		
Nevada	1.11	0.48	0.70	0.47	*0.44*	*0.66*
New Hampshire	n/a	n/a	n/a	n/a		
New Jersey	1.33	0.77	0.89	n/a	*0.58*	
New Mexico	n/a	n/a	n/a	n/a		
New York	4.12	1.15	1.93	1.03	*0.28*	*0.53*
North Carolina	0.53	0.34	0.40	0.31	*0.65*	*0.76*
North Dakota	n/a	n/a	n/a	n/a		
Ohio	0.43	0.39	n/a	n/a	*0.91*	
Oklahoma	0.57	0.10	n/a	n/a	*0.18*	
Oregon	0.86	0.30	0.67	0.25	*0.35*	*0.38*
Pennsylvania	0.72	0.23	0.23	0.20	*0.32*	*0.88*
Rhode Island	0.38	0.25	0.06	n/a	*0.67*	
South Carolina	n/a	n/a	n/a	n/a		
South Dakota	n/a	n/a	n/a	n/a		
Tennessee	0.47	0.16	0.32	0.13	*0.35*	*0.39*
Texas	1.02	0.40	0.69	0.36	*0.39*	*0.52*
Utah	0.42	0.66	n/a	n/a	*1.57*	
Vermont	n/a	n/a	n/a	n/a		

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Virginia	3.14	0.86	1.28	0.58	*0.27*	*0.45*
Washington	2.10	1.09	1.72	1.06	*0.52*	*0.62*
West Virginia	0.15	0.15	n/a	n/a	*0.96*	
Wisconsin	0.21	0.06	n/a	n/a	*0.26*	
Wyoming	0.13	n/a	n/a	n/a		

Notes: See Table B.1.

Table B.9. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, American Indians and Alaska Natives, Construction, 2002

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	1.16	0.46	0.66	0.40	0.39	0.61
Alabama	1.30	0.56	1.31	0.53	*0.43*	*0.40*
Alaska	5.08	15.03	5.24	15.67	*2.96*	*2.99*
Arizona	2.05	0.56	0.80	0.51	*0.27*	0.64
Arkansas	1.81	1.53	1.19	1.51	*0.84*	*1.26*
California	2.15	0.70	1.27	0.62	*0.33*	*0.49*
Colorado	1.18	0.31	0.87	0.24	*0.26*	*0.28*
Connecticut	0.53	0.09	n/a	n/a	*0.16*	
Delaware	n/a	n/a	n/a	n/a		
Dist. of Columbia	0.75	n/a	0.00	0.00		
Florida	1.00	0.17	n/a	n/a	*0.17*	
Georgia	1.03	0.17	0.26	0.03	*0.16*	*0.12*
Hawaii	0.54	n/a	n/a	n/a		
Idaho	1.47	0.84	n/a	n/a	*0.57*	
Illinois	0.33	0.13	0.22	0.12	*0.39*	*0.55*
Indiana	0.20	0.23	n/a	n/a	*1.16*	
Iowa	n/a	n/a	n/a	n/a		
Kansas	1.21	0.71	0.90	0.69	*0.59*	*0.77*
Kentucky	n/a	n/a	n/a	n/a		
Louisiana	1.05	0.29	n/a	n/a	*0.28*	
Maine	0.81	0.18	n/a	n/a	*0.22*	
Maryland	2.07	0.32	n/a	n/a	*0.15*	
Massachusetts	0.67	0.07	0.29	0.05	*0.11*	*0.18*
Michigan	0.95	0.34	0.48	0.31	*0.36*	*0.65*
Minnesota	0.66	0.21	0.42	0.20	*0.32*	*0.48*
Mississippi	0.38	0.03	n/a	n/a	*0.08*	
Missouri	1.36	0.39	n/a	n/a	*0.28*	
Montana	2.30	1.91	1.81	1.99	*0.83*	*1.10*
Nebraska	0.33	0.29	0.20	0.28	*0.86*	*1.36*
Nevada	2.07	0.29	1.10	0.26	*0.14*	*0.23*
New Hampshire	0.79	0.38	n/a	n/a	0.47	
New Jersey	0.38	n/a	0.16	n/a		
New Mexico	n/a	n/a	n/a	n/a		
New York	0.96	0.19	0.38	0.14	*0.20*	*0.37*
North Carolina	1.34	0.48	0.95	0.38	*0.36*	*0.40*
North Dakota	1.93	1.02	1.68	1.00	*0.53*	*0.60*
Ohio	0.48	0.15	n/a	n/a	*0.32*	
Oklahoma	8.30	5.39	5.00	4.75	*0.65*	*0.95*
Oregon	1.36	0.64	1.03	0.60	*0.47*	*0.58*
Pennsylvania	0.37	0.08	0.23	0.07	*0.21*	*0.28*
Rhode Island	n/a	n/a	n/a	n/a		
South Carolina	0.58	0.17	n/a	n/a	*0.29*	
South Dakota	2.65	1.74	1.85	1.79	*0.66*	*0.97*
Tennessee	1.03	0.35	n/a	n/a	*0.34*	
Texas	1.09	0.57	0.91	0.54	*0.53*	*0.60*
Utah	0.92	0.22	0.48	0.18	*0.23*	*0.37*
Vermont	0.91	0.38	0.31	0.27	*0.42*	*0.85*

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Virginia	0.75	0.30	0.40	0.20	*0.40*	*0.50*
Washington	1.06	0.66	0.92	0.63	0.62	*0.68*
West Virginia	0.55	0.13	0.09	0.12	*0.24*	*1.33*
Wisconsin	0.57	0.32	0.31	0.31	*0.55*	*1.00*
Wyoming	1.82	0.84	n/a	n/a	*0.46*	

Notes: See Table B.1.

Table B.10. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Native Hawaiians and Pacific Islanders, Construction, 2002

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	0.10	0.07			0.67	
Alabama	0.00	n/a	0.01	n/a		
Alaska	n/a	n/a	n/a	n/a		
Arizona	0.14	n/a	n/a	n/a		
Arkansas	n/a	n/a	n/a	n/a		
California	n/a	n/a	n/a	n/a		
Colorado	0.14	0.03	0.09	n/a	*0.24*	
Connecticut	n/a	n/a	n/a	n/a		
Delaware	0.00	0.00	0.00	0.00		
Dist. of Columbia	0.06	n/a	0.00	0.00		
Florida	n/a	n/a	n/a	n/a		
Georgia	0.03	0.03	0.07	0.03	0.89	0.44
Hawaii	12.87	4.66	n/a	n/a	*0.36*	
Idaho	n/a	n/a	n/a	n/a		
Illinois	n/a	n/a	n/a	n/a		
Indiana	n/a	n/a	n/a	n/a		
Iowa	0.01	n/a	n/a	n/a		
Kansas	0.00	0.00	0.00	0.00		
Kentucky	0.01	n/a	n/a	n/a		
Louisiana	0.00	n/a	0.01	n/a		
Maine	0.01	n/a	0.04	n/a		
Maryland	0.01	n/a	0.01	n/a		
Massachusetts	n/a	n/a	n/a	n/a		
Michigan	0.00	n/a	0.01	n/a		
Minnesota	n/a	n/a	n/a	n/a		
Mississippi	0.02	0.02	0.02	n/a	0.74	
Missouri	n/a	n/a	n/a	n/a		
Montana	0.00	0.00	0.00	0.00		
Nebraska	0.01	n/a	0.00	0.00		
Nevada	0.06	n/a	n/a	n/a		
New Hampshire	n/a	n/a	n/a	n/a		
New Jersey	0.03	n/a	0.07	n/a		
New Mexico	0.01	n/a	0.02	n/a		
New York	n/a	n/a	n/a	n/a		
North Carolina	0.01	0.00	n/a	n/a	0.47	
North Dakota	0.00	0.00	0.00	0.00		
Ohio	n/a	n/a	n/a	n/a		
Oklahoma	0.50	0.06	n/a	n/a	*0.11*	
Oregon	0.08	0.09	n/a	n/a	1.05	
Pennsylvania	n/a	n/a	n/a	n/a		
Rhode Island	0.02	n/a	0.00	0.00		
South Carolina	n/a	n/a	n/a	n/a		
South Dakota	0.00	0.00	0.00	0.00		
Tennessee	0.00	n/a	0.01	n/a		
Texas	n/a	n/a	n/a	n/a		
Utah	0.17	0.82	n/a	n/a	*4.85*	
Vermont	0.00	0.00	0.00	0.00		

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Virginia	0.02	n/a	0.05	n/a		
Washington	0.13	n/a	0.18	n/a		
West Virginia	0.00	0.00	0.00	0.00		
Wisconsin	n/a	n/a	n/a	n/a		
Wyoming	0.03	n/a	0.00	0.00		

Notes: See Table B.1.

Table B.11. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Blacks, Professional, Scientific and Technical Services, 2002

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	3.53	0.93	1.51	0.78	0.26	0.51
Alabama	5.89	2.48	2.53	2.30	*0.42*	0.91
Alaska	1.36	0.59			*0.44*	
Arizona	1.27	0.34	0.54	0.24	*0.27*	*0.44*
Arkansas	2.65	0.48	0.89	0.24	*0.18*	*0.27*
California	2.81	0.57	1.26	0.43	*0.20*	*0.34*
Colorado	1.05	0.43	0.55	0.37	*0.41*	0.68
Connecticut	2.13	0.35	0.62	0.28	*0.16*	*0.45*
Delaware	4.79	0.45	1.84		*0.09*	
District of Columbia	14.72		6.81			
Florida	3.66	1.02	1.37	0.82	*0.28*	*0.60*
Georgia	9.63	2.03	3.44	1.54	*0.21*	*0.45*
Hawaii	0.58	0.08	0.21	0.04	*0.14*	*0.20*
Idaho	0.38	0.24			0.63	
Illinois	4.20	0.93	1.69	0.77	*0.22*	*0.45*
Indiana	2.65	0.57	1.57	0.45	*0.21*	*0.29*
Iowa	0.70	0.35	0.34	0.31	*0.50*	0.91
Kansas	1.39	0.32	0.70	0.22	*0.23*	*0.32*
Kentucky	1.76	0.35	0.49	0.25	*0.20*	0.51
Louisiana	6.43	1.82	2.72	1.54	*0.28*	*0.57*
Maine	0.43	0.03	0.00	0.00	*0.06*	*0.00*
Maryland	12.48	3.91	4.71	3.38	*0.31*	*0.72*
Massachusetts	1.60	0.32	0.87	0.26	*0.20*	*0.29*
Michigan	4.03	1.10	1.91	0.88	*0.27*	*0.46*
Minnesota	1.07	0.29	0.46	0.24	*0.27*	0.51
Mississippi	8.11	3.70	3.98	3.09	*0.46*	0.78
Missouri	2.81	0.54	1.55	0.43	*0.19*	*0.28*
Montana	0.26	0.08			*0.32*	
Nebraska						
Nevada	1.98	0.66	0.80	0.50	*0.33*	0.62
New Hampshire						
New Jersey	3.98	0.83	1.77	0.64	*0.21*	*0.36*
New Mexico	0.70	0.47	0.49	0.49	0.68	1.00
New York	4.62	0.60	1.55	0.40	*0.13*	*0.26*
North Carolina	5.69	0.99	2.56	0.79	*0.17*	*0.31*
North Dakota	0.14		0.08			
Ohio	3.08	1.01	1.41	0.90	*0.33*	*0.64*
Oklahoma	1.69	0.56	0.87	0.52	*0.33*	*0.59*
Oregon	0.46	0.19	0.51	0.16	*0.42*	*0.32*
Pennsylvania	2.29	0.55	1.04	0.44	*0.24*	*0.42*
Rhode Island	1.27	0.42	0.41	0.36	*0.33*	0.89
South Carolina	5.99	0.97	2.54	0.72	*0.16*	*0.28*
South Dakota	0.15		0.00	0.00		*0.00*
Tennessee	4.13	0.86	1.81	0.72	*0.21*	*0.40*
Texas	3.64	0.76	1.32	0.62	*0.21*	*0.47*
Utah	0.45	0.13	0.18	0.12	*0.30*	*0.67*

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Vermont	0.25	0.16	0.15	0.18	0.63	*1.18*
Virginia	4.78	2.43	2.91	2.33	*0.51*	*0.80*
Washington	1.24	0.51	1.00	0.46	*0.41*	*0.46*
West Virginia	1.50	0.91			0.61	
Wisconsin	0.99	0.35	0.57	0.29	*0.35*	0.51
Wyoming	0.55					

Notes: See Table B.1.

Table B.12. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Hispanics, Professional, Scientific and Technical Services, 2002

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	4.22	1.49	2.66	1.26	0.35	0.48
Alabama	0.78	3.15	1.02	3.37	*4.04*	*3.32*
Alaska	1.29	0.32	0.48	0.20	*0.25*	*0.41*
Arizona	5.51	1.65	3.03	1.38	*0.30*	*0.45*
Arkansas	0.75	0.15			*0.20*	
California	7.40	2.24	4.37	1.86	*0.30*	*0.42*
Colorado	3.10	1.17	2.36	1.07	*0.38*	*0.45*
Connecticut	1.72	0.70	1.44	0.65	*0.41*	*0.45*
Delaware	1.37	0.21			*0.15*	
District of Columbia	3.51	1.39	2.91	1.36	*0.40*	*0.47*
Florida	13.02	5.13	9.48	4.41	*0.39*	*0.47*
Georgia	1.94	0.70	0.96	0.61	*0.36*	*0.64*
Hawaii	1.97	0.83	2.01	0.70	*0.42*	*0.35*
Idaho	1.77	1.02	1.74	1.04	*0.58*	0.60
Illinois	2.38	0.64	1.42	0.54	*0.27*	*0.38*
Indiana	0.91	0.31	0.53	0.24	*0.34*	*0.46*
Iowa	0.70	0.08	0.05		*0.12*	
Kansas	1.54	0.44	0.88	0.35	*0.29*	*0.40*
Kentucky	0.94	0.49			0.52	
Louisiana	1.83	0.93			*0.51*	
Maine	0.33	0.07	0.09	0.03	*0.22*	*0.28*
Maryland	2.60	0.99	1.83	0.88	*0.38*	*0.48*
Massachusetts	1.72	0.51	0.70	0.44	*0.30*	*0.62*
Michigan	1.16	0.41	0.52	0.35	*0.35*	0.66
Minnesota	0.96	0.16			*0.17*	
Mississippi	0.76	0.24	0.51	0.15	*0.31*	*0.30*
Missouri	0.89	0.36	1.04	0.33	*0.41*	*0.32*
Montana	0.85	0.45			*0.53*	
Nebraska	0.93	0.23	0.26	0.19	*0.25*	0.72
Nevada						
New Hampshire						
New Jersey	3.81	1.02	2.19	0.81	*0.27*	*0.37*
New Mexico	13.51	7.70	10.46	7.19	*0.57*	*0.69*
New York	4.53	0.91	1.74	0.59	*0.20*	*0.34*
North Carolina	1.33	0.57	0.78	0.51	*0.43*	*0.65*
North Dakota	0.58					
Ohio	0.70	0.34	0.46	0.33	*0.48*	*0.70*
Oklahoma	1.40	1.08			0.77	
Oregon	1.66	0.62	0.68	0.54	*0.37*	0.80
Pennsylvania	1.14	0.71	0.92	0.68	*0.62*	0.74
Rhode Island	2.52	0.60	0.91	0.48	*0.24*	0.52
South Carolina	1.08	0.73	0.48	0.76	0.68	1.58
South Dakota	0.53		0.13			
Tennessee	0.68	0.43	0.69	0.41	*0.64*	*0.59*
Texas	8.98	3.45	6.10	2.95	*0.38*	*0.48*
Utah	2.35	0.78	1.78	0.61	*0.33*	*0.34*

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Vermont						
Virginia	2.34	1.62	1.92	1.59	*0.69*	0.83
Washington	1.82	0.76	1.19	0.70	*0.42*	*0.58*
West Virginia	0.79	1.66	1.55	1.69	2.10	1.09
Wisconsin	1.04	0.67	0.83	0.58	*0.64*	0.70
Wyoming						

Notes: See Table B.1.

Table B.13. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Asians, Professional, Scientific and Technical Services, 2002

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	4.70	2.70	4.12	2.56	0.57	0.62
Alabama	1.08	2.73	0.65	2.83	*2.52*	*4.39*
Alaska	1.00	1.28	0.84	1.28	1.27	*1.52*
Arizona	2.14	1.13	1.75	1.03	*0.53*	*0.59*
Arkansas	0.75	0.45	0.69	0.44	0.60	0.64
California	11.48	4.84	10.10	4.33	*0.42*	*0.43*
Colorado	1.72	1.56	1.67	1.57	0.91	0.94
Connecticut	2.22	1.35	1.67	1.18	*0.61*	0.71
Delaware	4.19	2.40	5.64		0.57	
District of Columbia	2.34		2.18			
Florida	2.05	1.23	1.52	1.22	*0.60*	0.80
Georgia	2.93	2.24	3.03	2.21	*0.77*	*0.73*
Hawaii	42.01	32.94	46.20	33.58	*0.78*	*0.73*
Idaho	1.38	1.23	1.55	1.25	0.89	0.80
Illinois	4.77	2.10	4.10	1.99	*0.44*	*0.49*
Indiana	1.24	0.80	0.75	0.73	*0.64*	0.97
Iowa	1.00	0.78	1.06	0.77	0.77	0.73
Kansas	1.94	0.45	1.51	0.35	*0.23*	*0.23*
Kentucky	0.83	0.74	0.71	0.76	0.89	1.06
Louisiana	1.11	0.53			*0.48*	
Maine	0.48	0.20			*0.43*	
Maryland	5.34	4.75	6.09	4.82	0.89	*0.79*
Massachusetts	3.01	2.14	2.73	2.13	*0.71*	*0.78*
Michigan	2.53	2.97	2.65	2.97	*1.18*	1.12
Minnesota	2.12	1.09	1.83		*0.51*	
Mississippi	0.65	0.35	0.42	0.25	*0.54*	*0.60*
Missouri	1.28	0.59	1.25	0.55	*0.46*	*0.43*
Montana	0.79	1.05			1.33	
Nebraska						
Nevada	3.81	1.98	3.46	1.58	*0.52*	*0.46*
New Hampshire	1.46	1.24	2.67	1.20	0.85	*0.45*
New Jersey	9.18	5.51	11.18	5.37	*0.60*	*0.48*
New Mexico	1.48	1.79	1.74	1.91	1.21	1.10
New York	6.70	1.93	5.08	1.70	*0.29*	*0.33*
North Carolina	1.93	1.27	1.43	1.24	*0.66*	0.86
North Dakota						
Ohio	1.91	2.23	2.12	2.26	*1.16*	1.06
Oklahoma	1.07	0.79	1.09	0.80	0.73	0.74
Oregon	2.35	1.66	1.63	1.52	*0.70*	0.93
Pennsylvania	2.23	1.71	1.99	1.67	*0.77*	0.84
Rhode Island	1.35	1.19	1.18	1.27	0.89	1.07
South Carolina	0.93	0.29	0.42	0.21	*0.31*	*0.51*
South Dakota	0.36					
Tennessee	1.24	1.31	0.84	1.34	1.06	1.60
Texas	3.53	2.10	3.13	1.96	*0.60*	*0.63*
Utah	1.34	0.95	0.65	0.81	*0.70*	1.24

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Vermont	0.50	0.40			0.80	
Virginia	5.49	4.98	6.43	5.02	*0.91*	*0.78*
Washington	4.10	2.32	3.63	2.15	*0.56*	*0.59*
West Virginia	0.90	2.08	0.72	2.14	2.31	*2.98*
Wisconsin	1.29	1.83	1.11	1.90	1.41	1.72
Wyoming	1.43					

Notes: See Table B.1.

Table B.14. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, American Indians and Alaska Natives, Professional, Scientific and Technical Services, 2002

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	0.69	0.21	0.45	0.17	0.30	0.38
Alabama	0.84	0.55			0.66	
Alaska	5.23	9.05	2.10	9.83	1.73	*4.67*
Arizona	1.25	0.26	0.44	0.14	*0.20*	*0.32*
Arkansas	0.66	0.37	0.63	0.32	*0.56*	0.51
California	0.86	0.16	0.54	0.10	*0.18*	*0.18*
Colorado	0.58	0.17	0.47	0.13	*0.30*	*0.27*
Connecticut	0.31	0.12			*0.37*	
Delaware	0.23		0.09			
District of Columbia	0.55		0.30			
Florida	0.50	0.18	0.28	0.16	*0.36*	*0.58*
Georgia	0.61	0.14	0.36	0.11	*0.23*	*0.30*
Hawaii	0.54		0.10			
Idaho	0.47	0.11	0.37	0.07	*0.23*	*0.18*
Illinois	0.26	0.04	0.15	0.03	*0.15*	*0.20*
Indiana	0.58	0.12	0.42	0.09	*0.20*	*0.20*
Iowa	0.22	0.09	0.00	0.00	0.42	*0.00*
Kansas	0.48	0.34			0.71	
Kentucky	0.40	0.09			*0.23*	
Louisiana	0.53	0.28	0.23	0.27	*0.53*	1.19
Maine	0.39	0.13			*0.34*	
Maryland	0.58	0.46	0.47	0.45	0.78	0.95
Massachusetts	0.26	0.03			*0.13*	
Michigan	0.48	0.10	0.53	0.08	*0.21*	*0.15*
Minnesota						
Mississippi	0.88	0.08			*0.09*	
Missouri	0.63	0.33			*0.52*	
Montana	2.25	0.81	0.87	0.43	*0.36*	0.49
Nebraska	0.39	0.15	0.10	0.12	*0.37*	*1.18*
Nevada	0.98	0.49	0.57	0.36	*0.50*	0.64
New Hampshire						
New Jersey	0.50	0.14	0.43		*0.28*	
New Mexico	2.75	1.16	1.55	1.03	*0.42*	0.66
New York	0.44	0.05	0.26	0.03	*0.12*	*0.11*
North Carolina	0.56	0.30	0.37	0.29	*0.53*	0.78
North Dakota						
Ohio	0.39	0.11	0.35	0.10	*0.28*	*0.28*
Oklahoma	5.31	2.64	4.02	2.39	*0.50*	*0.60*
Oregon	0.93	0.17	0.29	0.05	*0.18*	*0.17*
Pennsylvania	0.29	0.06	0.15	0.05	*0.21*	*0.32*
Rhode Island	0.19		0.07			
South Carolina	0.69	0.18			*0.26*	
South Dakota	2.67	0.75			*0.28*	
Tennessee	0.82	0.32	1.05	0.30	*0.38*	*0.28*
Texas	0.93	0.26	0.51	0.22	*0.28*	*0.44*
Utah						

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Vermont	0.10	0.17	0.15	0.20	1.66	*1.37*
Virginia	0.50	0.21	0.54	0.20	*0.42*	*0.36*
Washington	0.91	0.27	0.51	0.23	*0.30*	*0.45*
West Virginia						
Wisconsin	0.41	0.18			*0.43*	
Wyoming						

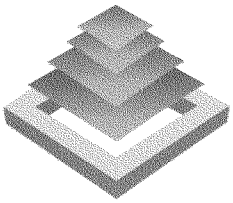
Notes: See Table B.1.

Table B.15. Percentage of Firms and Sales and Corresponding Disparity Indexes, All Firms and Employer Firms, Native Hawaiians and Pacific Islanders, Professional, Scientific and Technical Services, 2002

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
United States	0.10	0.03	0.04	0.02	0.27	0.43
Alabama						
Alaska	0.09		0.06			
Arizona	0.06	0.02			*0.25*	
Arkansas	0.02		0.02			
California	0.21	0.03			*0.15*	
Colorado	0.12	0.02	0.07	0.02	*0.16*	*0.24*
Connecticut	0.02					
Delaware	0.01		0.00	0.00		*0.00*
District of Columbia						
Florida	0.05	0.00			*0.04*	
Georgia						
Hawaii	6.33	2.49	3.37	1.92	*0.39*	*0.57*
Idaho	0.02		0.00	0.00		*0.00*
Illinois						
Indiana	0.05					
Iowa	0.00	0.00	0.00	0.00	*0.00*	*0.00*
Kansas	0.02		0.00	0.00		*0.00*
Kentucky						
Louisiana	0.01		0.01			
Maine	0.01		0.00	0.00		*0.00*
Maryland	0.01		0.01			
Massachusetts						
Michigan						
Minnesota	0.01		0.00	0.00		*0.00*
Mississippi	0.00	0.00	0.00	0.00	*0.00*	*0.00*
Missouri	0.00		0.00	0.00		*0.00*
Montana						
Nebraska	0.00	0.00	0.00	0.00	*0.00*	*0.00*
Nevada	0.08		0.03			
New Hampshire	0.02		0.00	0.00		*0.00*
New Jersey						
New Mexico	0.03	0.01	0.00	0.00	*0.19*	*0.00*
New York						
North Carolina						
North Dakota	0.04		0.00	0.00		*0.00*
Ohio						
Oklahoma						
Oregon						
Pennsylvania						
Rhode Island	0.01		0.00	0.00		*0.00*
South Carolina	0.00		0.00	0.00		*0.00*
South Dakota						
Tennessee	0.00	0.00	0.00	0.00	*0.00*	*0.00*
Texas						
Utah						

State	Percentage of All Firms	Percentage of All Sales	Percentage of All Employers	Percentage of All Employer Sales	Disparity Index-All Firms	Disparity Index Employers
Vermont	0.00	0.00	0.00	0.00	*0.00*	*0.00*
Virginia	0.12	0.15			1.22	
Washington	0.10	0.02	0.05		*0.18*	
West Virginia	0.03	0.00	0.00	0.00	*0.09*	*0.00*
Wisconsin						
Wyoming	0.00	0.00	0.00	0.00	*0.00*	*0.00*

Notes: See Table B.1.



National CAPACD
Innovating Together from the Ground Up

National Coalition for Asian Pacific American Community Development
Statement submitted for the record to the
U.S. Senate Committee on Small Business and Entrepreneurship

Closing the Wealth Gap:
Empowering America to Reach their Full Economic Potential for Growth and Job Creation

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Please accept the following statement on behalf of the National Coalition for Asian Pacific American Community Development (National CAPACD) for the Senate Small Business Committee Roundtable "Closing the Wealth Gap: Empowering America to Reach their Full Economic Potential for Growth and Job Creation" held on September 18, 2013.

National CAPACD is a national advocacy organization dedicated to addressing the housing, community and economic development needs of low-income Asian Americans, Native Hawaiians, and Pacific Islanders (AAPIs). We were founded in 1999 by a network of established community development organizations that have served AAPI communities for the last three decades. Today, National CAPACD is a network of more than 75 community-based organizations (CBOs) with a community development focus and capacity to provide linguistically and culturally competent services and programs in 19 states.

In 2010, National CAPACD became the first HUD-certified National Housing Counseling Intermediary specifically focused on serving AAPIs, with a network of 22 organizations in 16 metropolitan areas with services in 31 AAPI languages. National CAPACD, along with the National Council of La Raza and the National Urban League, is also a founding member of the Asset Building Policy Network (ABPN), a coalition of the nation's preeminent civil rights and advocacy organizations committed to closing the wealth gap in the US.

Overview of AAPI Poverty

AAPI poor are one of the fastest growing poverty populations in the wake of the recession. National CAPACD's AAPI Poverty Report found that from 2007 to 2011, the number of AAPI poor grew by more than half a million, representing an overall increase of 38 percent – a 37 percent increase for Asian Americans in poverty and a 60 percent increase for Native Hawaiians and Pacific Islanders (NHOPIs). Meanwhile, the general poverty population grew by 27 percent. Only Hispanics saw a larger percentage increase (42 percent) than AAPIs.

Unfortunately, the relative wealth of AAPIs to other racial and ethnic groups has led to overly simplistic conclusions about the perceived wealth parity that AAPIs have achieved when compared to non-Hispanic whites. While Asian Americans still have a much higher relative wealth standing compared to Hispanics and African Americans, Asian American net worth still fell by 44 percent during the housing crisis – from $160,078 in 2005 to $89,339 in 2011. This is more than double the 19 percent decline for non-Hispanic whites (from $136,635 to $110,500) during the same six years.

The disparate levels of wealth lost during the recession indicate that the composition of AAPI wealth is quite different than that of non-Hispanic whites. With large concentrations of poor AAPIs living in 17 of the nation's 20 most expensive housing markets, significant AAPI household wealth is connected to housing. Unfortunately, these metropolitan areas were also among the hardest hit during the recession, suffering some of the steepest declines in home values and wealth loss.

AAPI Small Business

For many AAPIs, small business ownership has long been the means of climbing out of poverty and achieving economic security. AAPIs are highly entrepreneurial, with the AAPI small business ownership rate higher per capita than any other ethnic group. While Asian Americans own 25.8 percent of all minority-owned businesses, they own more than half (50.9 percent) of all minority-owned businesses with employees. They also employ almost half of all employees working for minority-owned businesses and often constitute the economic and cultural anchors for most AAPI communities, providing language-accessible services to local residents.

Most of these firms, however, are sole proprietorships and microenterprises with poor access to capital. AAPI small business owners often must rely on personal assets as a source of support for their enterprises, whether through personal savings or through lines of credit secured by their home. Yet with falling home prices, and with AAPIs living in many of the hardest hit housing markets, there is simply less equity in home loans in the aftermath of the housing crisis. Further, underwriting standards are tougher across the board and interest rates are rising.

AAPI small businesses are also concentrated in industries with low margins, which are highly sensitive to downturns in consumer activity. Further complicating matters, many AAPI small business owners are immigrants who do not have the English language facility and cultural background to navigate the complex financial and regulatory environment, leaving them particularly vulnerable to in-language predatory services. Small businesses often anchor city neighborhoods and serve as regional draws for populations living throughout a metropolitan area. Therefore investment in AAPI small businesses both creates jobs and helps to revitalize neighborhoods that contribute to the larger regional economy.

RECOMMENDATIONS

Support community-based non-profit organizations and intermediaries as providers of Small Business Technical Assistance. Currently, much of the technical assistance available to small businesses is provided by local governments and mainstream financial institutions, and often target larger small businesses, not microenterprises. With limited English proficiency and a complex regulatory environment, many AAPI, immigrant and minority small business owners face additional challenges when starting a business. Community-based non-profit organizations are experts in assisting immigrants and communities of color overcome these barriers. There are many models of community-based non-

profits providing linguistically and culturally accessible technical assistance to small business and microenterprises that can be better supported and coordinated with the SBA and the Minority Business Development Agency at the Department of Commerce.

Using HUD's Housing Counseling intermediary program as a model, we recommend that SBA expand resources and partnerships with local non-profits and national non-profit intermediaries with track records in serving communities of color. National Small Business Technical Assistance Intermediaries would build a network of community-based small business assistance organizations across the country to share best practices and ensure minority small business owners receive the support they need. The intermediaries could provide program and administrative support, technical assistance and an information delivery system for the network members. The intermediaries would leverage federal resources with private funding to support the operations and services of network members.

As an example, in the wake of the foreclosure crisis, National CAPACD identified a major gap in culturally and linguistically appropriate services and resources to assist AAPIs with their housing options. In 2010, National CAPACD became the first HUD-certified National Housing Counseling Intermediary specifically focused on serving AAPIs. Today, our intermediary is comprised of a robust network of 22 community-based organizations in 16 geographic areas that are HUD-certified and funded to provide housing counseling. Collectively, the organizations in our intermediary have the capacity to provide services in 31 AAPI languages.

Protect resources for technical assistance for small businesses and microenterprises. The recession hit minority-owned small businesses very hard, yet funding and technical assistance opportunities like PRIME TA have been scaled back or eliminated completely when needed most. In this current era of austerity, protecting any remaining support still available through federal programs like Women's Business Centers is critical.

Track small business loan activity by race and ethnicity. Currently, CRA regulations mandate that banks release SBA loan data by zip code, but do not require information on race and ethnicity. While the data is able to generally show lending patterns in low-income neighborhoods, limited information make it difficult to track the number of actual loans received by AAPIs and AAPI subpopulations. Requiring the collection and disclosure of lending activity by race and ethnicity and AAPI subpopulations would make it easier to better determine the unmet needs of AAPI subpopulations and evaluate whether lenders are reaching underserved communities.

Support Immigrant Entrepreneurship and Economic Development through Immigration Reform. Citizenship should be viewed as an asset that can open up the economic potential of immigrants to increase their personal income and build wealth. A 2012 report by the Kauffman Foundation found that immigrants demonstrate the highest rates of entrepreneurship of any demographic segment studied and are more than twice as likely to start a business as non-immigrants. In 2011, immigrants were responsible for 28 percent of new US businesses founded, which more than doubles their 13 percent share of the US population. A 2012 report by The Partnership for a New American Economy found that immigrant-owned firms generate an estimated $775 billion in revenue, $125 billion in payroll, $100 billion in income, and employ one out of every 10 workers. Making financial education and other asset building services available to immigrants, in conjunction with legal services and ESL, can be the critical difference between a new immigrant-owned small business driving its local economy and a family in poverty, unable to afford the financial costs of the immigration process and struggling to make an economic contribution.

Implement fee reductions and increase guarantees for SBA 7(a) loans. The Recovery Act temporarily lowered fees and increased guarantees for smaller dollar 7(a) loans, which successfully increased lending activity as loans reached an additional 3,800 businesses and created or saved 41,100 jobs from 2009 to 2010. Adopting this strategy in targeted priority areas can incentivize lending and improve access to credit in underserved communities.

Make the SBA Community Advantage pilot program permanent and increase the capacity of mission-driven lenders, community banks, microlending intermediaries, and CDFIs to provide 7(a) loans in AAPI communities. SBA should provide technical assistance to help community organizations become approved Community Advantage lenders. This is especially important for community banks and CDFIs neighborhoods serving large LEP populations. SBA should also explore, identify, and build capacity for Community Advantage lenders in Hawaii and the Pacific Islands, as there currently are none.

Include underserved Asian American subpopulations as a Target Population in the Community Development Financial Institution program. Currently, the definition of Other Target Population in the CDFI program is as follows: "An Other Targeted Population is defined as an identifiable group of individuals in the Applicant's Service Area for which there exists strong evidence that they lack access to loans, equity investments, and or/Financial Services. The CDFI Fund has determined there is strong evidence that the following groups of individuals lack access to such products and services on a national level or within their recognized ancestral areas: (i) Native Americans or American Indians, including Alaska Natives living in Alaska; (ii) Blacks or African Americans; (iii) Hispanics or Latinos; (iv) Native Hawaiians living in Hawaii; and (v) other Pacific Islanders living in other Pacific Islands."

Asian Americans are the only major racial minority group that is excluded from this definition. There are well documented problems with making blanket determinations, and developing far reaching policy based on aggregate data on Asian Americans (See National Council for Asian Pacific Americans Best Practices: Researching Asian Americans, Native Hawaiians and Pacific Islanders, July 31, 2013 http://ncapaonline.org/BestPracticesAANHPI.pdf). The data for Asian Americans must be disaggregated by subpopulations or the tremendous needs of certain subpopulations will remain unmet.

To : Honorable Senator Landrieu

Date : September 27. 2013

Reference : Roundtable on Minority Wealth Gap

Issue : Special challenges to Small Business Enterprise (including but not limited to minority-owned business) (SBE) as creditors in the bankruptcy process, especially under the so called "prenegotiated or prepackaged bankruptcies".

Situation :

- As unsecured creditor
  - Generally, a SBE is in the unsecured creditors group and results in receiving penny's to a dollar if any, while secured creditors and "critical suppliers" are paid in full or in much higher percentages.
  - For an SBE, such write-off is much more detrimental than a major corporation supplier, and can more likely cause the SBE to close shop.

- Preferential payment (recoup money that was paid up to three months before filing"
  - The trustee's attorney are sending letters to suppliers to re-claim ALL payments received in the 90 days period prior to the company's bankruptcy filing.
  - The SBE will have to prove that these payments were payments within the normal course of business and NOT preferential payments -- generally by hiring a bankruptcy specialist attorney for the process resulting in thousands of dollars in legal fee.
  - At the end, the SBE will settle for a certain % of the claim as an evaluation of incurring continuous mounting legal fees in defense or settle.
  - For an SBE, generally with limited legal resources, will have to incur significant legal costs to defend against such blanket claim from the trustee.

Recommendation of potential solutions :

1) As unsecured creditor
   - For a SBE creditor (SBE as defined by the current SBA), up to "x" dollar (eg. $30,000 or $50,000), this unsecured claim is moved to "secured" claim position.
   - The "x" dollar limit will encourage the SBE to not issue unsupportive credit limit to its customers.

- The potential repayment to be received as a secured creditor will help in the survival of the SBE.

2) Preferential payment (recoup money that was paid up to three months before filing" :
    - Exert from Detroit Free Press – March 18, 2007
        - **When Tower Automotive Inc. filed for bankruptcy Feb. 2, 2005, it was given the opportunity to recoup money that it paid for parts up to three months before filing for bankruptcy, which is a common bankruptcy practice.**

          Steve Greenman, vice president of manufacturing at Pinecrest Engineering Inc., a Traverse City-based auto supplier of specialty dies and tools, said Tower sued Pinecrest to return $250,000 it paid for tooling.

          "This money was already late in delivery to us and now they want it back, declaring at the time they were insolvent," Greenman said in an e-mail to the Free Press. "This payment would most certainly put us out of business."
    - The Trustee's attorney should bear the responsibility to demonstrate "preferential payment" for their amount of claim – rather than a blanket all payments prior to the 90 days before filing.
    - If the SBE creditor can properly defend and demonstrate that the Trustee's attorney is incorrect in their claim that such payments are "preferential", the Trustee should bear the cost of the SBE creditor's legal cost in such defense.

I am not an attorney but a small business owner that have personally experienced the above situations during the 2007-2009 economic downturn.

Thank you very much for your time and consideration

Peter Wong
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Fakhoury Law Group, PC

Attorneys and Counselors

Global Business Immigration Law

October 16, 2013

VIA email: fkwang@apacc.net

c/o Frances Kai-Hwa Wang
Executive Director
Asian Pacific American Chamber of Commerce (APACC)

Re: Request for Additional Testimony, *"Closing the Wealth Gap: Empowering America to Reach its Full Economic Potential", Hearing, September 23, 2013*

The Honorable Mary L. Landrieu - Chair
Committee on Small Business & Entrepreneurship
United States Senate
428A Russell Senate Office Building
Washington, D.C. 20510

Dear Senator Landrieu,

This is in response to the request for additional comments issued by the Chair of the Committee on Small Business & Entrepreneurship pursuant to a stakeholder's roundtable of September 18, 2013. Among the participants was the Asian Pacific American Chamber of Commerce (APACC). The testimony period has been extended until October 18, 2013. Our proffered testimony is made through APACC, which has conveyed that request for recommendations and solutions that would benefit minority small businesses playing a role in closing the wealth gap.

We write in favor of expanded opportunity for recognition and inclusion of Arab Americans as a minority group eligible for federal small business programs benefiting minority-owned small businesses, as that would serve the beneficial purposes of reducing the wealth gap and contribute to the growth of the overall United States economy. We also draw the Committee's attention to specific agency policies, decisions and actions that we believe do not well serve those purposes.

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I. Forward:

The Senate Committee on Small Business and Entrepreneurship (the Committee) has jurisdiction over federal assistance to disadvantaged minority businesses through its oversight of the Small Business Administration (SBA), an independent agency created pursuant to the Small Business Act as amended by P.L. 95-507. The Committee also has an indirect interest in the collateral operations of the Minority Business Development Agency (MBDA), which is a division of the Department of Commerce created pursuant to Executive Order.

Both SBA and MBDA operate programs that convey benefits to "presumed disadvantaged" minority groups which each agency have recognized through their own designation processes. The former agency operates a program that permits for an individualized showing by small business owners who have personally suffered discrimination, bias or disadvantage on account of membership in a racial or ethnic minority group, while the latter relies upon blanket designation of racial or ethnic minorities that upon petition MBDA may add to its list of presumed disadvantaged groups.

The SBA defines as socially disadvantaged those groups who have been, historically, subjected to "racial or ethnic prejudice or cultural bias" within the larger American culture. Groups presumed to be disadvantaged pursuant to 13 CFR § 124.103(b), include: African Americans, Asian Pacific Americans, Hispanic Americans, Native Americans and Subcontinent Asian Americans. Individuals who are members of other groups may seek certification for their own business if the owner demonstrates a history of personal disadvantage on account of membership in a cognizable social group.

The SBA Office of Hearings and Appeals in the past has found one self-identified Arab American woman had, in fact, suffered cultural bias and disadvantage as a "Socially Disadvantaged Individual" (13 CFR § 124.103(c)); nevertheless, the Judge upheld the denial issued by the Associate Administrator finding it was not entirely arbitrary and capricious.[1] Certification for the 8(a) Business Development ("8(a) BD") program has been denied in all similar cases filed by other Arab American petitioners.[2]

Similarly, MBDA has recently denied a petition received from Arab Americans under its program for "socially or economically disadvantaged" small business. On

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[1] See, *IN THE MATTER OF: Interword Corporotion, Ltd.*, MSBE-94-6-10-23, SBA No. 490, (Office of Hearings and Appeals, Nov. 21, 1994), 1994 SBA8A LEXIS 68 (SBA8A 1994).

[2] See, e.g., *IN THE MATTER OF: Alobasi Construction, Inc.*, SBA No. BDP-368, (Office of Hearings and Appeals, October 12, 2010), 2010 SBA8A LEXIS 9 (SBA8A 2010); *c.f.*, *IN THE MATTER OF: Bitstreams, Inc.*, MSBE-98-04-22-08, SBA No. MSB-615, Office of Hearings and Appeals, July 23, 1998), 1998 SBA8A LEXIS 15 (SBA8A 1998) .

January 11, 2012, The Minority Business Department Agency (MBDA) received from the American-Arab Anti-Discrimination Committee (ADC) a petition[3] requesting formal designation of Arab Americans pursuant to 15 CFR Part 1400.3 as a minority group that is socially or economically disadvantaged pursuant to 15 CFR Part 1400. The certification of that petition would have allowed members of that community access to MBDA funded programs. Unfortunately, on March 5, 2013, MBDA denied that petition,[4] and shortly thereafter a FOIA[5] was filed with that agency requesting a copy of relevant public records that thus far the agency has failed to produce.

We would like to take this opportunity to provide detailed information to the Committee bearing on what we view as unfair and biased adjudications of petitions for disadvantaged minority designation submitted by Arab Americans, as well as related factors that bear upon what we show, below, to be other federal policies that interfere with the ability of Arab American owned small business to fully participate as part of the American economy.

Objectively, as we show, Arab Americans are more disadvantaged economically and suffer far more damaging prejudices than other ethnic groups that have been recognized as presumptively disadvantaged by SBA and MBDA.

In addition, our written submission identifies fundamental flaws in the methodology used by these and other federal agencies, including arbitrary exclusion of Arab Americans from the ethnic categories recognized by the Equal Employment Opportunity Commission (EEOC). Our report demonstrates the impact that these and similar policies have on the systematic underestimation and understatement of the extent of discrimination against Arab Americans.

Finally, we thank the Chair, and the rest of the Committee for the opportunity to present this information.

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[3] *See*, Petition for Inclusion of the Arab American Community in the Groups Eligible for MBDA Services, 77 FR 31,765-31,767 (May 30, 2012); and, *See* Petition for Inclusion of the Arab American Community in the Groups Eligible for MBDA Services, 77 FR 72254 (December 5, 2012)(extension of time for receipt of comment).]

[4] *See*, *Federal Register* Volume 78, Number 43 (Tuesday, March 5, 2013), Proposed Rules, 14238-14241, http://www.gpo.gov/fdsys/pkg/FR-2013-03-05/html/2013-04955.htm

[5] FOIA Request – MBDA 2013-000692, March 8, 2013.

II. Contents

III. Executive Summary:

Arab Americans to an unusually high degree are small business owners and entrepreneurs. Demographic data provided by the US Census and other sources show that this group more than any other ethnic minority operates retail stores, wholesale import-export trade firms, cab firms, and similar small service enterprises serving communities across America.

Many families carry on these family-owned businesses for generations, longer than other ethnic immigrant groups, including Asian-Americans and Americans of South Asian-India descent, groups who have been granted SBA Section 8(a) designation and services to small business provided by the MBDA. Yet, for some reason, these same federal agencies have refused when requested to grant similar assistance to Arab American owned small businesses. This report looks at that peculiar situation of unequal treatment, and finds many good reasons why that should change.

In its recent denial of the ADC *petition, the MBDA cited the slightly higher than median income of Arab Americans as evidence that the group has not suffered disadvantage. However, we show that conclusion to be methodologically suspect, as it does not capture a realistic portrait of the economic condition of the majority of Arab Americans, particularly the difficulties faced by small business owners, who are (or should be) the main focus of the agency's attention. Assistance to small minority business is, after all, the stated mission of that agency along with the SBA.*

The purpose of SBA section 8(a) is to "promote the business development of small business concerns owned and controlled by socially and economically disadvantaged individuals so that such concerns can compete on an equal basis in the American economy." 15 U.S.C. § 631(f)(2)(A).

In fact, as we show, in the occupational category for retail trade in which Arab American immigrants predominate, earnings are third-from-the-bottom with median annual incomes of only $39,334; that is .83 of parity with the native-born in the same occupational category, which makes this one of the most economically disadvantaged occupational subgroups in America. The American Community Survey *(Census,2005) finds that fully a quarter of Arab Americans in the New York City area are employed in retail trade, a rate four times higher than average for the rest of the population.*

In adjudicating the ADC *petition, the agency made a basic error in statistical analysis, concluding that the median income is a determining factor for evidence of group disadvantage. It is not. As we show, below, the higher than median income of Arab Americans is accounted for by a small segment of highly economically successful persons – statistical outliers -- so that the median income realized by the group*

overachieves the U.S. national average, while most small business owners are actually shown to have low income, and would clearly benefit from MBDA and SBA designation.

We also show that Arab Americans, in general, have relatively low economic mobility and lower rates of graduate education compared to designated ethnic groups, Asian-Americans and South Asian-Indian-Americans, and tend to remain longer in sectors such as retail small business with lower income and status than other major immigrant ethnic groups. With demonstration of these facts, we believe that Arab Americans meet the MBDA eligibility standard as "socially or economically disadvantaged."

Arab Americans, many of whom are Muslim, also suffer to an unusually high degree from social and religious discrimination arising in a number of settings -- including employment, housing, lending, and education. In addition to retail trade, we will focus here on barriers faced by Arab American professionals that prejudice their hiring, promotion, and equity ownership potential within law firms, professional corporations, and similar businesses that create a barrier to entry to higher income occupations which unfairly blocks capital formation. Statistical evidence is presented here that shows these discriminatory barriers negatively impact the social and economic advancement of this particular ethnic group within American society.

We also cite evidence in the academic literature that hiring discrimination against Arab American job applicants is widespread and a substantial barrier to fair employment. This evidence was brought to the attention of the MBDA, but that agency neglected to address this issue in its decision denying the ADC *petition. The principal mechanism identified is discriminatory pre-screening of resumes, "resume sifting", by businesses and professional firms, and several studies are cited that show male applicants with ethnic Arabic names are only half as likely to be called in for job interviews as equally-qualified applicants assumed to be white males.*

Even if hired, Arab Americans like other minorities are statistically far less likely to be promoted to the top of professional firms. We cited a recent survey of 341 law firms surveyed nationwide that shows that minorities make up less than three percent of law firm equity partners. This is contrasted with data that minorities make up over 22 percent of law schools graduates. The chances that a minority Associate makes full partner is only one-seventh that of a white, male attorney who was his classmate.

Furthermore, we note that at present agency recourse for professionals suffering employment discrimination are limited by the statutory and regulatory restrictions upon complaints brought before the Equal Employment Opportunity Commission (EEOC). As a result of the strictures and limits of available administrative redress under Title VII, Arab American and other professionals must seek alternative civil remedies. In Saint Francis College et al. v. Al-Khazraji, *481 US 604 (1987)*[6] *the U.S. Supreme Court recognized Arab Americans as a distinct minority group suffering discrimination in*

[6] See, http://caselaw.lp.findlaw.com/cgi-bin/getcase.pl?court=us&vol=481&invol=604

employment and professional advancement. We believe that is significant, and should also be taken into account by Congress in its SBA and MBDA oversight, as well as in crafting legislation that more fairly extends the benefits of Title VII protections to include this group.

It should be similarly noted that Arab Americans are a recognized minority group by the State of Michigan, and that recognition more than two decades ago has contributed substantially to public health, education, employment and the State economy. Other jurisdictions that similarly recognize Arab Americans as a distinct minority group include Wayne County, MI and San Francisco, CA.

We conclude that Congress, the courts, federal agencies with subject matter jurisdiction, such as SBA and MBDA, and related State and local government entities must make substantial further efforts to insure the employment rights of Arab Americans and other minorities through strengthening the enforcement mechanisms of the Civil Rights Act and corresponding federal, State and local law. Inclusion of Arab Americans in the list of socially disadvantaged groups eligible for assistance from the MBDA alongside recognized groups – a list that has included Hasidic Jews, Asian Pacific Americans and Asian Indians – along with categories for Black, Puerto-Ricans, Spanish-speaking Americans, American Indians, Eskimos, and Aleuts, would further the goals of eliminating discrimination and advancing the general economic well-being of all Americans.

IV: MBDA and SBA Designation – Demographic and Economic Data Show That Arab American Small Business Owners are Disadvantaged Compared to Ethnic Groups Receiving Agency Benefits

A. Regulatory Background

Federal aid to small disadvantaged minority-owned business is primarily administered through two programs, the Small Business Administration Section 8(a) Business Development (SBA 8(a) BD) and the Minority Business Development Agency's (MBDA Title 1400) services. The SBA annual budget and assistance provided to the public (about $3 billion) is far larger than MBDA programs (less than $30 million), which are essentially as a conduit to other federal assistance to minority-owned business.

Eligibility for these programs is determined by two methods: agency initiated designation and petition. Designation of presumed eligible social and ethnic groups is normally by regulation pursuant to statutory authority (SBA programs) or Executive Orders (MBDA). Both agencies also permit members of non-recognized minority groups to petition for certification. Certification by SBA is binding upon the affirmative action contracting and set-asides programs of most other federal agencies, including MBDA. While the latter agency may independently recognize disadvantaged groups through its own determination procedure, that is not binding on SBA. SBA regulation at 13 CFR states those ethnic groups and nationalities presumed to be socially disadvantaged, as follows:

> **13 CFR§ 124.103 Who is socially disadvantaged?**
> (a) *General.* Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias within American society because of their identities as members of groups and without regard to their individual qualities. The social disadvantage must stem from circumstances beyond their control.
> (b) *Members of designated groups.*
> (1) There is a rebuttable presumption that the following individuals are socially disadvantaged: Black Americans; Hispanic Americans; Native Americans (Alaska Natives, Native Hawaiians, or enrolled members of a Federally or State recognized Indian Tribe); Asian Pacific Americans (persons with origins from Burma, Thailand, Malaysia, Indonesia, Singapore, Brunei, Japan, China (including Hong Kong), Taiwan, Laos, Cambodia (Kampuchea), Vietnam, Korea, The Philippines, U.S. Trust Territory of the Pacific Islands (Republic of Palau), Republic of the Marshall Islands, Federated States of Micronesia, the Commonwealth of the Northern Mariana Islands, Guam, Samoa, Macao, Fiji, Tonga, Kiribati, Tuvalu, or Nauru); Subcontinent Asian Americans (persons with origins from India, Pakistan, Bangladesh, Sri Lanka, Bhutan, the Maldives Islands or Nepal); and members of other groups designated from time to time by SBA according to procedures set forth at paragraph (d) of this section. Being born in a country does not, by itself, suffice to make the birth country an individual's country of origin for purposes of being included within a designated group. [[63 FR 35739, June 30, 1998, as amended at 74 FR 45753, Sept. 4, 2009; 76 FR 8254, Feb. 11, 2011]

In addition to these named groups, SBA has at various times certified individuals belonging to other minority ethnic, religious and nationality group as disadvantaged for purposes of eligibility for SBA 8(a) BD assistance, including a number of Hasidic Jews[7], women, and members of other nationality groups.[8]

Since its inception pursuant to Presidential Order 11625,[9] MBDA has designated racial minority groups as program beneficiaries. The agency has expanded its Group

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[7] *See, e.g., IN THE MATTER OF: Tenco Enterprises, Inc.*, Docket No. MSBE-92-10-15-19; SBA No. 425, 1993 SBA8A LEXIS 43, (Small Business Administration Office of Hearings and Appeals, February 12, 1993).

[8] *See, e.g., Matter of Bitstreams, Ibid.*

[9] The MBDA Group Assistance Program was created under the provisions of Executive Order 11625 (herein after, "E.O. 11625") of Oct. 13, 1971, which appears at 36 FR 19967, 3 CFR, 1971-1975 Comp., p. 616. E.O. 11625, Sec. 6, designated six minority groups as socially or economically disadvantaged – "Negroes, Puerto Ricans, Spanish-speaking Americans, American Indians, Eskimos, and Aleuts" -- and allows for the inclusion of others, but does not

Assistance Program services by designating certain religious and ethnic national groups as presumptively "socially or economically disadvantaged," a list which includes the following groups:

> **Hasidic Jewish Americans** (religious group);
> **Asian Pacific Americans** (persons with origins from Burma, Thailand, Malaysia, Indonesia, Singapore, Brunei, Japan, China (including Hong Kong), Taiwan, Laos, Cambodia (Kampuchea), Vietnam, Korea, The Philippines, U.S. Trust Territory of the Pacific Islands (Republic of Palau), Republic of the Marshall Islands, Federated States of Micronesia, the Commonwealth of the Northern Mariana Islands, Guam, Samoa, Macao, Fiji, Tonga, Kiribati, Tuvalu, or Nauru);
> **Indian Asian Americans** (persons with origins from India, Pakistan, Bangladesh, Sri Lanka, Bhutan, the Maldives Islands or Nepal).[10]

Those designations occurred prior to or at the time of the issuance of MBDA's Final regulations in October, 1984.[11] While others have subsequently petitioned for recognition under the procedure provided in the rules, the agency has declined to designate any new groups. That agency has never stated the exact criteria whereby it originally designated the above groups to be eligible as "socially or economically disadvantaged," while it has subsequently denied the petitions of several others.[12]

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specify any process or procedure for how the Agency is to make such a determination to designate additional beneficiary groups.

[10] While the SBA regulations do not include Hasidic Jews as a group presumed to be deprived, [45 FR 25563,April 15, 1980] MBDA following an individualized SBA designation, granted that group presumed disadvantaged status on June 27, 1984 when MBDA published notice of proposed rulemaking, 15 CFR § 1400, DETERMINATION OF GROUP ELIGIBILITY FOR MBDA ASSISTANCE. MBDA's 1984 designation of that group followed SBA action taken in 1980 to certify an individual of that group for 8(a)-SD benefits. In 1994, an SBA Administrative Law Judge found a female Palestinian American small business owner had in fact suffered discrimination, but the agency declined to grant 8(a) SD certification. [*Matter of Interword*] The MBDA has not recognized Arab Americans as a disadvantaged group eligible for Title 1400 services. SBA definitions are stated at Title 13, § 124.103 - Business Credit and Assistance. CHAPTER I - SMALL BUSINESS ADMINISTRATION. PART 124 - 8(a) BUSINESS DEVELOPMENT/SMALL DISADVANTAGED BUSINESS STATUS DETERMINATIONS. Subpart A - 8(a) Business Development. - Eligibility Requirements for Participation in the 8(a) Business Development Program. http://www.gpo.gov/fdsys/pkg/CFR-2005-title13-vol1/xml/CFR-2005-title13-vol1-sec124-103.xml

[11] See, 49 FR 42697, (MBDA, October 27, 1984).

[12] The three groups which have been denied MBDA designation are: convicts and former prisoners, Iranian exiles in America, and most recently, Arab Americans.

B. The Relationship of MBDA Title 1400 and SBA 8(a) Legal Standards

MBDA Title 1400 differs from SBA 8(a) mainly in that the former does not allow for individualized showings. Another distinction is that MBDA eligibility rules, while they make reference to "social or economic discrimination", the specific criteria are overwhelmingly weighted toward economic factors.

These MBDA group-based criteria, understandably, omit a specific social factor recognized in the SBA definition for "(ii) Personal experiences of substantial and chronic social disadvantage in American society, not in other countries." According to the agency decision, portions of the *ADC* petition referenced personalized, subjective element of the overwhelming perception of discrimination and personal trauma felt by many Arab Americans, particularly in the post-911 environment in this country. Unfortunately, that element was discounted by MBDA adjudicators, as the agency acknowledged in its *ADC* decision.

In addition, the MBDA regulations are specifically tuned to statistical showings of group business disadvantage nationwide and aggregated group income comparisons. The MBDA program eligibility criteria appear designed to minimize the impact of documentation going to experiences and commonly held perceptions of deprivation and discrimination, and makes no room for evidentiary showings of animus and discrimination – except as they might be shown statistically to impact business employment, finance or revenues -- cancelling out the evidentiary value of complaints based in experience of social prejudice. That is, indeed, how the agency's adjudications process worked in effect with the *ADC* petition. However, even by these exacting standards, the objective and quantifiable fact of comparative disadvantage with other social groups can be convincingly demonstrated.

In addition, the regulations under Title 1400 expressly require a showing of commercial disadvantage. In its denial of the *ADC* petition, the MBDA cited the median income of Arab Americans as evidence that the group has not suffered disadvantage. However, that analysis is methodologically suspect, as it does not capture a realistic portrait of the economic condition of the majority of Arab Americans, particularly the difficulties faced by small business owners, who data shows have comparatively low income and make up an unusually high percentage of this population. These low income business owners should be the main focus of the agency's analysis. Assistance to small minority business is, after all, the stated mission of the agency. What happened was that the adjudicator of the *ADC* petition made a basic error in statistical analysis, concluding that the median income is a determining factor for evidence of group disadvantage. It is not. As we show, below, the relatively high median income of Arab Americans is accounted for by a small segment of highly economically successful

persons – statistical outliers -- so that the median income realized by the group overachieves the U.S. national average, while most small business owners are actually shown to have low income, and would clearly benefit from MBDA and SBA designation. We also show that Arab Americans, in general, have low economic mobility compared to designated ethnic groups, Asian-Americans and South Asian-Indian-Americans, and tend to remain in sectors such as retail small business with lower income and status generations longer than other, more mobile immigrant ethnic groups. Much of this social immobility is, as we demonstrate, due to persistent social prejudices against Arab Americans, particularly in the professions. With demonstration of these facts, we believe that Arab Americans meet the stated MBDA eligibility standard, as follows:

> Applicants must demonstrate that such social or economic conditions have produced impediments in the business world for members of the group which are not common to all business people in the same or similar business and market place.

The SBA 8(a) benefits category, by comparison, references socially disadvantaged **and** economically disadvantaged business owners. The Title 1400 standards are clearly not the same as 8(a) standards, and are less favorable to showings of social disadvantage, as the 8(a) rules expressly admit for evidence of experience of forms of non-economic social disadvantage. In writing its regulation, the MBDA appears to have applied the SBA standards and simply lopped off factors relating to "socially disadvantaged individuals." The SBA defines "socially and economically disadvantaged" individuals under the Small Business Act (15 USC 637), and distinguishes between them as follows:

> (5) Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias because of their identity as a member of a group without regard to their individual qualities.
>
> (6)(A) Economically disadvantaged individuals are those socially disadvantaged individuals whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same business area who are not socially disadvantaged. In determining the degree of diminished credit and capital opportunities the Administration shall consider, but not be limited to, the assets and net worth of such socially disadvantaged individual. [. . .]"

Theoretically, either standard could be met by a showing that a substantial portion of the group significantly underperforms economically, and that this is due to lingering prejudices and cultural biases. Undoubtedly, however, Title 1400, as a purely group-based scheme is framed so that its criteria appear to be the more difficult to meet, particularly with its expressed requirement that "[a]pplicants must demonstrate that such social or economic conditions have produced impediments in the business world for members of the group. . ."

C. MBDA and SBA Regulatory Schemes Differ

There are two Executive Orders that come into play with these agencies and their programs. SBA's programs were directly affected by EO 12432 (July 14, 1983) implementing P.L. 95-507 that amended the Small Business Act, carries the force of law. By comparison, E.O. 11625 (1974) which created the MBDA does not.

While MBDA's regulations reference both E.O.'s, the latter impacts MBDA only so far as it carries the SBA as amended by P.L. 95-507 into effect. In its limited reference in Part 1(b) to MBDA, it does not authorize that agency to do anything specific. Most relevant to our discussion, it does not give MBDA authorization to define the key operative terms and eligibility standards that are applied in minority business programs governed by the Small Business Act as amended by P.L. 95-507, as referenced in this E.O. Instead, those definitions remain vested in the SBA regulations: e.g., "Socially Disadvantaged Individuals" (13 CFR § 124.103(a-c)), "Socially disadvantaged group" (13 CFR § 124.103(d)(1), "Small Disadvantaged Businesses." (SDBs), (13 CFR § 124.1002), respectively. That regulatory power over programs is reserved to the SBA by Public Law 95-507.

The SBA designated Executive Order, E.O. 12432 (July 14, 1983), which has force of law *in limited respects* in so far as it carried out certain provisions of P.L. 95-507. That order commanded all federal agencies (including MBDA) to develop and implement minority business set-asides plans. However, the E.O. does not convey any specific rules-making authority to MBDA and barely touches on that agency, specifically, and concerns itself primarily with the role of SBA and its preexisting powers to administer minority set-aside programs. That E.O. also orders that SBA 8(a) set-asides be carried out by other federal agencies. Primarily because it references existing SBA statute, regulations and standards, not MBDA's, it is dubious whether this order accords MBDA any specific statutory or regulatory mandate beyond other agencies affected by the same set-aside order.

MBDA is mentioned only in passing at E.O. 12432, Section 1(b) as working along with SBA in developing minority **plans**, not in carrying out any special **programs** of its own. In addition, the role of developing "uniform guidelines for all Federal agencies" is given at Sec. 1(c) to the Secretary of Commerce and the Administrator of the SBA, not to the MBDA. The entirety of Section 2 -- including the mandate to agencies to create set-aside **programs** -- meanwhile, applies equally to all affected federal agencies:

> **Section 1.** *Minority Business Development Plans.* **(a) Minority business enterprise development plans shall be developed by each Federal agency having substantial procurement or grantmaking authority**. Such agencies shall submit these

plans to the Cabinet Council on Commerce and Trade on an annual basis. (b) These annual plans shall establish minority enterprise development objectives for the participating agencies and methods for encouraging both prime contractors and grantees to utilize minority business enterprises. **The plans shall, to the extent possible, build upon the programs administered by the Minority Business Development Agency and the Small Business Administration, including the goals established pursuant to Public Law 95-507.** (c) **The Secretary of Commerce and the Administrator of the Small Business Administration**, in consultation with the Cabinet Council on Commerce and Trade, **shall establish uniform guidelines for all Federal agencies to be utilized in establishing the minority business programs set forth in Section 2 of this Order**.

[. . .]

Sec. 2. *Minority Business Development Responsibilities of Federal Agencies.* (a) To the extent permitted by law and consistent with its primary mission, **each Federal agency** which is required to develop a minority business development plan under Section 1 of this Order shall, to accomplish the objectives set forth in its plan, **establish programs concerning provision of direct assistance, procurement assistance, and management and technical assistance to minority business enterprises.** (b) Each Federal agency shall, to the extent permitted by law and consistent with its primary mission, **establish minority business development programs, consistent with Section 211 of Public Law 95-507, to develop and implement incentive techniques to encourage greater minority business subcontracting by Federal prime contractors.** (c) Each Federal agency shall encourage recipients of Federal grants and cooperative agreements to achieve a reasonable minority business participation in contracts let as a result of its grants and agreements.

The definition of Socially Disadvantaged Individual applied by the SBA at 13 CFR § 124.103 has two components. The first, (b) is identifiable "members of designated groups" presumed to be socially disadvantaged, as follows:

(a) *General.* **Socially disadvantaged individuals are those who have been subjected to racial or ethnic prejudice or cultural bias within American society because of their identities as members of groups and without regard to their individual qualities.** The social disadvantage must stem from circumstances beyond their control.

(b) *Members of designated groups.*

(1) **There is a rebuttable presumption that the following individuals are socially disadvantaged:** Black Americans; Hispanic Americans; Native Americans (Alaska Natives, Native Hawaiians, or enrolled members of a Federally or State recognized Indian Tribe); Asian Pacific Americans (persons with origins from Burma, Thailand, Malaysia, Indonesia, Singapore, Brunei, Japan, China (including Hong Kong),

Taiwan, Laos, Cambodia (Kampuchea), Vietnam, Korea, The Philippines, U.S. Trust Territory of the Pacific Islands (Republic of Palau), Republic of the Marshall Islands, Federated States of Micronesia, the Commonwealth of the Northern Mariana Islands, Guam, Samoa, Macao, Fiji, Tonga, Kiribati, Tuvalu, or Nauru); Subcontinent Asian Americans (persons with origins from India, Pakistan, Bangladesh, Sri Lanka, Bhutan, the Maldives Islands or Nepal); **and members of other groups designated from time to time by SBA according to procedures set forth at paragraph (d) of this section.** Being born in a country does not, by itself, suffice to make the birth country an individual's country of origin for purposes of being included within a designated group.

[. . .]

(d) *Socially disadvantaged group inclusion*—

(1) *General.* **Representatives of an identifiable group whose members believe that the group has suffered chronic racial or ethnic prejudice or cultural bias may petition SBA to be included as a presumptively socially disadvantaged group under paragraph (b)(1) of this section.** Upon presentation of substantial evidence that members of the group have been subjected to racial or ethnic prejudice or cultural bias because of their identity as group members and without regard to their individual qualities, SBA will publish a notice in the *Federal Register* that it has received and is considering such a request, and that it will consider public comments.

In addition, the SBA regulation at CFR § 124.103(c) allows that agency to designate individuals as "socially disadvantaged" who are among those named "groups presumed to be socially disadvantaged." Subsection (c) applies to individuals "who establish individual social disadvantage" on a case-by-case basis to SBA according to the following criteria:

(c) *Individuals not members of designated groups.*
(1) An individual who is not a member of one of the groups presumed to be socially disadvantaged in paragraph (b)(1) of this section must establish individual social disadvantage by a preponderance of the evidence.
(2) Evidence of individual social disadvantage must include the following elements:
(i) At least one objective distinguishing feature that has contributed to social disadvantage, such as race, ethnic origin, gender, physical handicap, long-term residence in an environment isolated from the mainstream of American society, or other similar causes not common to individuals who are not socially disadvantaged;
(ii) Personal experiences of substantial and chronic social disadvantage in American society, not in other countries; and

(iii) Negative impact on entry into or advancement in the business world because of the disadvantage. SBA will consider any relevant evidence in assessing this element. In every case, however, SBA will consider education, employment and business history, where applicable, to see if the totality of circumstances shows disadvantage in entering into or advancing in the business world.
(A) *Education.* SBA considers such factors as denial of equal access to institutions of higher education, exclusion from social and professional association with students or teachers, denial of educational honors rightfully earned, and social patterns or pressures which discouraged the individual from pursuing a professional or business education.
(B) *Employment.* SBA considers such factors as unequal treatment in hiring, promotions and other aspects of professional advancement, pay and fringe benefits, and other terms and conditions of employment; retaliatory or discriminatory behavior by an employer; and social patterns or pressures which have channeled the individual into nonprofessional or non-business fields.
(C) *Business history.* SBA considers such factors as unequal access to credit or capital, acquisition of credit or capital under commercially unfavorable circumstances, unequal treatment in opportunities for government contracts or other work, unequal treatment by potential customers and business associates, and exclusion from business or professional organizations.

The MBDA rule making, Title 1400, appears to have combined and conflated these two separate SBA group and individually-determined categories ("groups presumed to be socially disadvantaged" and "socially disadvantaged individuals") in order to derive its own different and narrower criteria for "socially or economically deprived group" category eligible for its own Title 1400 benefits program. These MBDA imposed rules operate outside of, and substantially in contradiction to, statutory standards and authorization given to SBA and in conflict with SBA regulations .

In contrast to Title 1400, eligibility for SBA 8(a) designation as a "Small Disadvantaged Business" (SDB) is open to 1) small businesses that are majority-owned by socially disadvantaged individuals (13 CFR § 124.103), who may qualify for that designation either as (a) members of a presumed group or (2) by application for designation (b) of a group or (3) as individuals who demonstrate (c) that they, personally, have suffered disadvantage because of race, nationality or ethnicity.

On the other hand, Title 1400 eligibility for a "minority business enterprise" (MBE) is purely group-based and depends solely upon group designation by MBDA:

§ 1400.1

Purpose and scope.

(a) The purpose of this part is to set forth regulations for determination of group eligibility for MBDA assistance.

(b) In order to be eligible to receive assistance from MBDA funded organizations, a concern must be a minority business enterprise. A minority business enterprise is a business enterprise that is owned or controlled by one or more socially or economically disadvantaged persons. Executive Order 11625 designates Blacks, Puerto-Ricans, Spanish-speaking Americans, American Indians, Eskimos, and Aleuts as persons who are socially or economically disadvantaged and thus eligible for MBDA assistance. Other groups designated are listed below in paragraph (c). The purpose of this regulation is to provide guidance to groups not previously designated as eligible for assistance who believe they are entitled to formal designation as **"socially or economically disadvantage" under the Executive Order. Upon adequate showing by representatives of the group that the group is, as a whole, socially or economically disadvantaged the group will be so designated and its members will be eligible for MBDA assistance. Designation under Executive Order 11625 establishes eligibility status only for MBDA funded programs. It will not establish eligibility for any other Federal or Federally funded program**.

(c) In addition to those listed in E.O. 11625, members of the following groups have been designated as eligible to receive assistance: Hasidic Jews, Asian Pacific Americans, and Asian Indians.

§ 1400.2 Definitions.

For the purpose of this part:

(a) Minority business enterprise means a business which is owned or controlled by one or more socially **or** economically disadvantaged persons.

(b) Socially disadvantaged persons means those persons who have been subjected to cultural, racial or ethnic prejudice because of their identity as members of a group without regard to their individual qualities.

(c) Economically disadvantaged persons means those persons whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities because of their identity as members of a group without regard to their individual qualities, as compared to others in the same line of business and competitive market area.

§ 1400.4

Evidence of social or economic disadvantage.

(a) The representatives of the group requesting formal designation should establish social or economic disadvantage by a preponderance of the evidence.

Social or economic disadvantage must be chronic, long standing, and substantial, not fleeting or insignificant. In determining whether a group has made an adequate showing that it has suffered chronic racial or ethnic prejudice or cultural bias for the purposes of this regulation, a determination will be made as to whether this group has suffered the effects of discriminatory practices over which its members have no control. **Applicants must demonstrate that such social or economic conditions have produced impediments in the business world for members of the group which are not common to all business people in the same or similar business and market place.**

(b) Evidence which will be considered in determining whether groups are socially or economically disadvantaged includes but is not limited to:

(1) Statistical profile outlining the national income level and standard of living enjoyed by members of the group in comparison to the income level and standard of living enjoyed by individuals not considered to be members of socially or economically disadvantaged groups.

(2) Evidence of employment discrimination suffered by members of the group in comparison to employment opportunities available to individuals not considered to be members of socially or economically disadvantaged groups.

(3) Evidence of educational discrimination in comparison to educational opportunities available to individuals not considered to be members of socially or economically disadvantaged groups.

(4) Evidence of denial of access to organizations, groups, or professional societies, whether in business or in school, based solely upon racial and/or ethnic considerations.

(5) Kinds of businesses and business opportunities available to group members in comparison to the kinds of businesses and business opportunities available to individuals not considered to be members of socially or economically disadvantaged groups.

(6) Availability of capital to group members in comparison to the availability of capital to individuals not considered to be members of socially or economically disadvantaged groups.

(7) Availability of technical and managerial resources to group members in comparison to the technical and managerial resources available to individuals not considered to be members of socially or economically disadvantaged groups.

(8) Any other evidence of denial of opportunity or access to those things which would enable the individual to participate more successfully in the American economic system, available to individuals not considered to be members of social or economically disadvantaged groups.

An important point to bear in mind here is that the plain language of Title 1400 regulations makes it clear that eligibility for MBDA program may be based solely in group designation on the basis of a showing of either social disadvantage **or** economic disadvantage, and a showing of both is not required. However, it is clear that the agency's interpretation of its own rules – which lack any direct anchor in statute, by the way (MBDA and its regulations is entirely the creation of an Executive Order) -- are heavily weighted toward a showing of factors going to proof of economic disadvantage, and it is difficult to see how group experience of social disadvantaged might be demonstrated according the evidentiary guidelines posted at Title 1400.4. That is, of course, entirely consistent with the fact that the agency has never accepted any ethnic groups as clients beyond those enunciated decades ago in its final Rule Making.

V. ECONOMIC AND STATISTICAL ISSUES - MBDA and SBA Designation – Demographic and Economic Data Show That Arab American Small Business Owners are Disadvantaged Compared to Ethnic Groups Receiving Agency Benefits

While Section 1400 enunciates the agency's regulatory criteria for designation, MBDA does not appear to have in fact been applying a clear, consistent, rational standard grounded in knowable demographic factors and accepted statistical methods in its denial of the petition submitted on behalf of Arab Americans. When we look at the available data regarding incomes, education and occupations, we see that MBDA has chosen to designate as disadvantaged immigrant groups with the highest overall levels of income and social advantage – Asian Americans and Indian Americans. Meanwhile, it has recently denied the petition of Arab Americans, who lag according to these same indices. As we will see in detail below, the plaintiff group is by the vast preponderance of the evidence objectively more deprived, having indicators of lower median earnings and lesser access to higher education and lesser rates of admission to the professions and highest income occupations.

Furthermore, as we demonstrate in the sections below, Arab Americans have a degree of income variation among national subgroups that is comparable to that within MBDA-recognized ethnic groups. In addition, nationalities and individuals at the lower ends of the petitioning group additionally are shown to suffer the deepest levels of poverty of any nationality groups in the United States. These impediments are topped by relatively severe forms of discrimination and abuse within post-9/11 American society. Altogether, Arab Americans are both disadvantaged in an absolute sense and relatively deprived by most relevant standards.

Inequality and poverty within a group indicates that the median figure, alone, does not adequately capture the full extent of disadvantage experienced by significant parts of the Arab American community. While median income and education are greater than the overall national average, nonetheless, Arab American nationalities disproportionately occupy the lowest rung of the economic ladder, with a higher percentage in poverty than both non-Hispanic whites and the Title 1400 designated minority groups. The 2010 US Census shows that 15.1% of the general population live in poverty[13] compared to 9.9% of all non-Hispanic white persons, 12.1% of all Asian persons, and 4 percent of natives of India[14]. By comparison, the Arab American Institute (AAI) estimates the Arab American poverty rate to be 13.7 percent.

Therefore, the higher than average median income figure for Arab Americans cited in the MBDA decision does not address the deprivation a larger percentage of whom experience relative to other agency recognized minority groups in America, and that is the more relevant indicator than a comparison with overall national averages. That is particularly relevant since an unusually high percentage of poorer Arab Americans operate small businesses. This raises an important point of equity about the agency's decision - MBDA has not explained, and the decision does not address, why it has previously granted benefits to wealthier, more socially advantaged groups while denying the ADC petition, and on what objective basis it made its determination.

Finally, we show that the two demographic factors cited by MBDA (median income and above-average college attendance) do not adequately assess the degree of economic and social disadvantage experienced by economically significant segments of this group – particularly, Arab American small business owners -- relative to society as a whole. This federal agency's mission is to assist small and medium businesses owned and operated by minority proprietors. Nonetheless, MBDA has not addressed why Arab American small business owners, in particular, would not benefit from access to the technical assistance and federal programs managed or accessed through the agency.

As shown in the national data and statistics we review in the sections below, and closeup at local conditions in Detroit and New York's Brooklyn Burrough [see, Addenda, Group Exhibit B], the occupations of Arab Americans are shown to be disproportionately concentrated in small businesses, upon which they rely for their livelihoods to support households that tend to have greater numbers of related persons living under the same roof than is the national norm. Most significantly, these businesses – small retail shops and service businesses -- are operated at a significant economic disadvantage relative to the general population and are, along with taxi driving and domestic care (also common occupations held by Arab Americans), are the lowest paid of all occupations commonly taken up by immigrants.

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[13] See, "Income, Poverty and Health Insurance Coverage in the United States: 2010", U.S. Census Bureau

[14] See, *The Foreign-Born Population in the United States: 2010*, U.S. Census Bureau, p. 21.

Arab Americans are at a particular disadvantage because they tend to continue operating small businesses in disproportionate numbers for a longer period of time -- for generations -- while Asian Americans and Indian Americans who have significantly higher levels of graduate educations continue to move up at a rapid pace upward into the highest income brackets in the professions and into partnerships in highly lucrative industries such as computer software and engineering.

We conclude that the decisions by SBA and MBDA denying assistance to Arab American small businesses is contrary to the purpose of the law and Executive Orders that created these agencies. As becomes evident from the data, Arab Americans would particularly benefit from SBA group designation as well as the technical assistance services provided by MBDA, as that ethnic group is reliant to an extraordinarily high degree upon the operation of small businesses in retail and wholesale trade in America. In the occupational category for retail trade in which Arab American immigrants predominate, earnings are third-from-the-bottom with median annual incomes of only $39,334; that is .83 of parity with the native-born in the same occupational category, which makes this one of the most economically disadvantaged occupational subgroups in America.

When we examine Census data for median household income by race, ancestry or ethnicity[15], along with social mobility factors – education, occupation, partnership potential -- we find widespread and compelling evidence that flatly contradicts the MBDA determination. We show that Arab Americans as a group are, in fact, economically and socially deprived relative to Pacific Asian Americans and Indian Asian Americans, the two ethnic groups to which the agency has granted Title 1400 recognition, particularly at the top and bottom of the income scale.

When we look at incomes broken down by nationality into quintile groups, we find specific evidence showing that Arab Americans are economically and socially disadvantaged relative to other groups that have been granted Title 1400 status:

- At the lower end of the scale, the Arab American nationality group has a higher percentage in poverty, longer, than Pacific Asian and Indian Asian Americans.
- Arab Americans are underrepresented compared to these other immigrant groups in the highest paying industries, such as Information Technology and Medicine.

[15] Data based in Median Household Income in the Past 12 Months (in 2010 inflation-adjusted dollors)". 2006-2010 American Community Survey. United States Census Bureau. 2010. Retrieved 22 April 2013. , available at http://en.wikipedia.org/wiki/List_of_ethnic_groups_in_the_United_States_by_household_income

- At the top end, the data shows a glass ceiling that has prevented long-established Arab American nationalities from "breaking through" into the very upper reaches of American business and society.
- Arab Americans compared to other groups are extraordinarily reliant upon small business ownership, many of which are sole proprietorships, small partnerships, and microenterprises that tend to be undercapitalized and yield lower returns than larger enterprises in America.
- Economic problems afflict Arab Americans at both ends of the socio-economic scale more acutely than the general population due to a number of factors, including long lingering ethnic prejudices, exacerbated by the fears and hostility attendant to the 9/11 attacks and the Global War on Terrorism that has seen U.S. troops fighting primarily in Bottom Quint Arab American countries. In recent generations, no other minority national group in America has been so stigmatized with the possible exception of Indochinese – the rate of poverty among Vietnamese Americans, at 13 percent,[16] similarly remains among the highest of all Asian Americans.
- Relative lack of Arab American social mobility is also attributed to the extreme concentration seen for Top Quint Arab nationalities in operation of small businesses. During the Recession, many younger members of this ethnic group have lacked resources to continue their education – rates of college completion and post-graduate study are lower for Arab Americans than Asians and Indians – as a result, they are frustrated from entry into the higher-paid professions and technical fields that attract many Asian Americans and Indian Americans. Unable to enter these higher income occupations, many Arab Americans fall back on the operation of small businesses, a relatively low-paid occupation, which aggregates relative disadvantages over generations relative to their peers who more readily enter the more lucrative professions or pursue larger, non-local entrepreneurial ventures, acquiring and aggregating capital.
- Small business operators, in general, lack access to capital and, as we show, many Arab Americans who do attempt to break through into the professions or launch entrepreneurial ventures continue to suffer the effects of subtle but deeply entrenched prejudices such as unwillingness to appoint minority partners or unwillingness to deal with Arab American owned firms, and that this disadvantage is deeply seated and has persisted for many decades.

[16] See, U.S. Census, *The Foreign-Born Population in the United States: 2010*, *Ibid.*

VI. Median Income for Arab Americans is Lower than for Other SBA and MBDA Recognized Ethnic Groups

A. Median Family Incomes Groups Compared

In its denial of the ADC petition, MBDA offered the following as its key economic justification:

> "[T]the Petition does not substantiate this assertion [of social and economic deprivation] by providing evidence to support the statement, such as statistical measures of the impact that employment discrimination complaints have on Arab American business success or workplace attainment. The EEOC complaints discussed above must be coupled with an analysis or study of the impact of discrimination on Arab Americans in the business world.
>
> "In addition, a 2008 Arab American Institute Foundation study produced results contrary to the Petitioner's arguments. This study found that Arab American households' mean individual income is 27% higher than the national average and that the group shows higher than average educational attainment. These figures are not dispositive, but do suggest that prejudice Arab- Americans have faced may not have impacted their economic opportunities to the extent necessary to establish that Arab Americans' businesses require the technical and outreach services that MBDA provides."

First, MBDA is incorrect in its statement that petitioner has not provided "evidence to support the statement, such as statistical measures of the impact that employment discrimination complaints have on Arab American business success or workplace attainment. The EEOC complaints discussed above must be coupled with an analysis or study of the impact of discrimination on Arab Americans in the business world."

The Agency should have available to it standard EEOC materials and volumes, such as the *Handbook* alluded to previously in this report that establishes definitely that EEOC has recognized Arab Americans as a distinct group subject to various and widespread employment discrimination that impacts the group's workplace attainment. Furthermore, EEOC keeps extensive statistics and investigates reports of such employment discrimination, and that information is readily available to MBDA as it is contained at the EEOC website, including the page for *EEOC Statistics of Enforcement Activity and Charges, FY 1997-2012*, and related analytic material posted by EEOC.

Furthermore, MBDA should be readily aware of the fact that Arab Americans have lower recorded rates of college graduation than groups the agency has granted

recognition. In a report by Pew Memorial Trust titled "The Rise of Asian Americans" (June 2012), draws on Census Bureau and other government data as well as telephone surveys, found that Asians are the highest-earning and best-educated racial group in the country.

> **Among Asians 25 or older, 49 percent hold a college degree, compared with 28 percent of all people in that age range in the United States.** Median annual household income among Asians is $66,000 versus $49,800 among the general population.

Meanwhile, Indian Americans, along with other Asian Americans, have the highest educational levels of all ethnic groups in the U.S. - **71% of all Indians have a bachelor's or higher degree (compared to 28% nationally and 44% average for all Asian American groups)**. Almost 40% of all Indians in the United States have a master's, doctorate or other professional degree, which is five times the national average. The median household income of Indian Americans is the highest in the world, $86,130.

Those characteristics can be compared to generalized Arab American characteristics reported by the Arab American Institute *Quick Facts About Arab Americans*:

> **More than 45% have a bachelor's degree or higher, compared to 28% of Americans at large** [. . .] Median income for Arab American households in 2008 was $56,331 compared with $51,369 for all households in the United States.

Arab Americans, like many Asian Americans, face a sort of glass ceiling to earnings because they tend to congregate and remain in fields and occupations such as proprietorships of small business with generally limited earnings and capital potential. A recent study *Immigrant Small Business Owners - Fiscal Policy Institute* (July, 2012) shows that these immigrant small business owners are relatively disadvantaged and have earnings about 17 percent below white native-born competitors. U.S. Census data shows that about half of all Arab Americans surveyed are foreign-born. Furthermore, Arab Americans from Top Tier nationalities tend to congregate as small business owners – which is a relatively low paid occupation -- in unusually large numbers. Studies show a pattern across the country and in major population centers for Arab Americans that this ethnic group, while disproportionately represented in retail trade, lag Asian Americans and Indian Americans in higher education as well as entry into highly-paid computer technology and engineering fields.

For immigrant groups and the foreign born, degrees in engineering and computer sciences present the most reliable ticket to the highest earning occupations. While the foreign born are 13 percent of the population, 17 percent have a bachelors degree, 22 percent have degrees in STEM fields, 27 percent in computers and mathematics, and fully 33 percent of the foreign born degree holders in America

earned their degree in the field of engineering.[17] Asian Americans make up less than 6 percent of the U.S. population but obtain 7 percent of master's degrees and 11.8 percent of all doctoral degrees,[18] while fully 40 percent of Indian Americans over 25 have an advanced degree, most of them in STEM fields. Arab American immigrants, by contrast, are far less likely to pursue graduate studies than are Asians and Indian Americans. Among the NYC area Arab American population, 15.7 percent have graduate degrees compared to 13 percent of the general population.[19] This relative lack of graduate education and presence in STEM fields compared to Asian and Indian immigrant populations contributes greatly to this ethnic group's inability to break through into the uppermost strata of American society and business, perpetuating this group's aggregated relative disadvantages.

That same pattern of small business management with a relative lack of higher education is apparent in an analysis of the Arab American population of New York City and its five Burroughs, which is the second largest concentration of this ethnic group in the United States. Analyzing Census 2000 and ACS data for 2005, a CCNY Brooklyn College study (abstracted below) found:[20]

> Other comparisons that can be made pertain to Industry of employment and Class of Worker. **Arab Americans are much more likely to be employed in Retail trade than all New Yorkers (23.7% versus 9.4%).** They are more likely to be employed in Transportation and warehousing, and utilities (10.7% versus 6.3%) and less likely to work in Educational services, and health care and social assistance (17.4% versus 24.7 % respectively). As to Class of Worker Arab Americans are about as likely to be Private wage and salary workers (81.4%versus 78.1%), less than half as likely to be Government workers (7.5 % versus 15.2 %) **and almost twice as likely to be Self-employed workers in "own not incorporated" business (11.1% versus 6.61%. respectively)**

Instead of a reasoned analysis of readily available voluminous indicators of employment discrimination and disadvantage in social-economic data, the agency's decision relies upon the above citation that "Arab American households' mean individual income is 27% higher than the national average" and its allusion to "higher than average" rate of college degrees as its sole source of statistical justification for its decision to deny the ADC petition. MBDA otherwise cites no statistical findings or indicators for its assertion that the group, as a whole, enjoys adequate, fair and equal "economic opportunities" and has not suffered discrimination "to the extent necessary to establish that Arab Americans' businesses require the technical and outreach services that MBDA provides."

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[17] See, US Census, ACS briefs, The Foreign Born with Engineering and Science Degrees :2010, ACSBR/10-06, The Foreign-Born With Science and Engineering Degrees: 2010

[18] See, National Center for Education Statistics, Fast Facts, http://nces.ed.gov/fastfacts/display.asp?id=72

[19] See, Jerome Krase, CCNY Brooklyn College Study for The Center for Arab American Empowerment (CAAE), Community Needs Assessment: New York City's Arab American Community, (July, 2007), http://www.academia.edu/351985/ Community Needs Assessment New York Citys Arab American Community

[20] See, Krase, *Ibid.*

Nonetheless, MBDA has awarded Title 1400 recognition as "economically and socially disadvantaged" to two racial or ethnic groups that have substantially higher median household incomes, as found by the Census American Community Survey, along with greater access to higher education. While they share many similar characteristics, including a history of discrimination, the agency has chosen without articulating any rational basis to discriminate by denying designation to Arab Americans. Compared to these other groups, as we will show, Arab Americans are economically and socially disadvantaged in terms of earnings, occupations, education and social mobility. As a national group, Arab Americans have median family incomes some 35% lower than Indian Americas who enjoy MBDA services:

Arab American : $56,433[3][21]
Pacific Islands American : $ 58,859[1]
Asian American : $68,089[1]
Indian American : $86,130[2]

B. Range of Incomes Across and Within Racial, Ethnic and National Groups

Incomes are not equally distributed within national groups[22], and also are unequally distributed between the various nationalities that go to make up the ethnic group referred to as "Arab Americans". This applies in slightly varying degrees to the Pacific Asian and India Asian groups recognized by SBA and MBDA, as well.

When we compare incomes across racial groups, say between White Americans and Asian Americans, or between Pacific Islands Americans and African Americans, we see some significant apparent differences. For instance, consider the following statistics from the Census Bureau American Community Survey, 2006-2010 which shows substantial variations in median household incomes between races:

By race

Asian American : $68,089[1]
Pacific Islands American : $ 58,859[1]
White American : $ 54,857[1]
Total Population : $ 51,914[1]
Native American : $ 38,806[1]
African American : $ 35,341[1]

[21] Hyperlinked footnotes link to sources for incomes data referenced in **Group Exhibit A**.
[22] According to the Census, "The difference between the median incomes of households maintained by a naturalized citizen and households maintained by a native-born person was not statistically significant." *Income, Poverty, and Health Insurance in the United States*, p.9, ftn. 14. *www.census.gov/prod/2012pubs/p60-243.pdf*

Similarly, within the Arab American ethnic group, there is a wide range in reported median household incomes, from the top annual earnings of $67,264 for Lebanese Americans down through middle income groups such as the median $47,692 of Jordanian Americans, which reaches down to the sub-poverty $19,061 yearly wages of Somali-Americans, which is second from the bottom among the 148 national groups recorded by the Census. [See, the complete list, below] Given this wide variance of national income within ethnic groups, it becomes apparent that blanket statements about how some ethnic groups are "27% higher than the national average", which implies that Arab Americans cannot be fairly considered to be disadvantaged is less than meaningful. Instead, to understand the subject of relative aggregate deprivation, and how the term "social and economic disadvantage" has been in fact interpreted (and misinterpreted) by MBDA, we need to take a more detailed look at variations within communities and make cross-cutting comparisons across groups and categories.

Breaking the Arab American category down into constituent nationalities, we find a wide variation in income that reflects widely varying economic opportunities which are to some degree the effect of persistent and long-standing prejudices against persons of Arab descent, particularly those with identifiable traits such as names, appearance, accents, and cultural habits that distinguish them as Arab. As a result, there is a wide variance in the impact of prejudice within the community, with older more established national groups at the top of the scale impacted in subtle ways, such as refusal to deal and professional hiring decisions, and more recently arrived, lower-income Arab immigrants, such as Afghans, Iraqis, Sudanese and Somalis at the bottom impacted more directly and severely by reported violence and abuses. Some nationalities, Sudanese and Somalis, may also be impacted by racism on account of their darker complexions. The impact of religious discrimination against Muslims is also apparent, but difficult to separate out from other types of discrimination against nationals of the same ethnic group. Incomes reported for the Arab American ethnic group reflect these overlapping patterns of discrimination, as follows:

Lebanese American : $67,264[3]
Egyptian American : $62,812[3]
Syrian American : $62,637[3]
Arab American : $56,433[3]
Palestinian American : $55,950[3]
Assyrian/Chaldean/Syriac Americans : $53,471[3]
Algerian American : $52,815[3]
Jordanian American : $47,692[3]
Moroccan American : $44,521[3]
Afghan American : $43,023[3]
Kurdish American : $35,638[3]
Yemeni American : $34,667[3]

Sudanese American : $32,165[3]
Iraqi American : $32,075[3]
Somali American : $19,061[3]

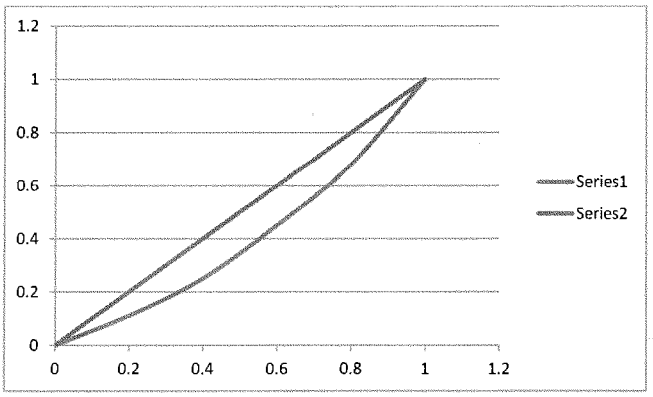
C. Gini Coefficient – Income Distribution within Arab American Group (Mean Family Income)

The Gini Coefficient is a statistical indicator that is widely used by economists and social scientists to describe the degree of income inequality within and between discrete groups and individuals. This approach employs a method of organizing groups according to a hierarchy of five quintiles to derive a measure of the equality of distribution of income. This organization of data when mathematically calculated gives a curve – the Lorenz curve - which describes income distribution, and a corresponding measure of overall inequality – the Gini Coefficient – that can then be compared to other groups. The overall shape of the curve is also an indicator of other relevant factors such as business income and formation of and access to capital within the group.

In general, the smaller the area within the curve under the straight red line, the more equal the income distribution within the group, and the lower the Gini Coefficient.

The Lorenz Curve describing the income distribution for the 15 Arab American nationalities within the group appears as follows:

D. CHART 1: Gini Coefficient – Lorenz Curve – Arab Americans



The graph above tells us certain useful things about Arab Americans as a group:

The distribution of income within the group appears evenly distributed from top to bottom. This suggests that Arab Americans occupy all rungs of American society, and that no single nationality group has aggregated to itself a dominant share of income within this ethnic group. [We will see similar patterns (with some minor variations in this pattern) when we examine income distribution among Pacific Asian Americans and Indian Asian Americans in the sections that immediately follow, below]

- The area of the curve below the line of equality (the red 45 degree line) is comparatively small, which corresponds with a relatively small Gini coefficient of about .27. By comparison, the Census Bureau reported that the Gini coefficient for the total U.S. population was 0.397 in 1968, 0.470 in 2006, 0.477 in 2010—the highest ever recorded for the United States.[23] This suggests that Arab Americans, as an immigrant group, have in fact had an egalitarian democratizing impact upon overall U.S. income distribution.
- However, older, higher income Aran American nationalities in the Top Quintile -- the Lebanese , Egyptians and Syrians -- do not "break-out" of the pattern, which suggests that they hit a "ceiling" of set commercial roles that limits their ability to fully assimilate, access capital, and reach the very top ranks of American society. We will address the implications of that in greater detail, below.
- Newer, lower income immigrant nationalities in the bottom quintile -- the Sudanese, Iraqis, and Somalis – face a set of economic and social challenges and needs that differ in nature from the higher income groups; these nationals tend to be relegated to low income occupations and operate very small businesses (unincorporated microenterprises) that would most greatly benefit from additional access to education, training, and other forms of technical assistance that might be made available through MBDA, while the middle and upper income subgroups would likely benefit most from minority contracting set asides available through SBA 8(a) SD designation.

E. Methodology

In this case, we rank order the 15 Arab American nationalities into five quintiles according to incomes, as follows:

Top Quintile:
Lebanese American : $67,264[3]
Egyptian American : $62,812[3]
Syrian American : $62,637

[23] U.S. Census Bureau, Current Population Reports, P60-233, Income, Poverty, and Health Insurance Coverage in the United States: 2006, U.S. Government Printing Office, Washington, D.C. ; Ibid., edition for 2011.

2nd

Arab American : $56,433[3]
Palestinian American : $55,950[3]
Assyrian/Chaldean/Syriac Americans : $53,471[3]

3rd

Algerian American : $52,815[3]
Jordanian American : $47,692[3]
Moroccan American : $44,521[3]

4th

Afghan American : $43,023[3]
Kurdish American : $35,638[3]
Yemeni American : $34,667[3]

Bottom 5th

Sudanese American : $32,165[3]
Iraqi American : $32,075[3]
Somali American : $19,061[3]

[The next step after we have created our five rank-order groups (quints) is to calculate each quint's share of the total income. We do this by determining the percentage of total income held by each group, and then adding up the cummulative share of total income that corresponds with the ascending rank of each quintile group in the heirarchy. As one goes up, the percentage share accumulates in the third column, as shown below:

$	%	cumulative %
193	.26	100
165	.23	.68
146	.20	.45
114	.14	.25
83	.11	.11
731	(total)]	

F. Asian Pacific Group Family Incomes

We can now do the same with Asian Pacific group to see how this Title 1400 group stacks up in terms of incomes. Breaking these categories down into nationality groups, we find the following range of incomes reported for Asian Pacific Nationality Groups:

Filipino American : $76,954[2]
Taiwanese American : $73,988[2]
Chinese American : $67,211[2]
Fijian American : $67,003[2]
Melanesian American : $66,794[2]
Japanese American : $66,443[2]
Sri Lankan American : $65,606[2]
Hawaiian American : $60,988[2]
Malaysian American : $60,613[2]
Palauan American : $60,471[2]
Indonesian American : $59,509[2]
Polynesian American : $58,582[2]
Vietnamese American : $55,132[2]
Laotian American : $55,119[2]
Korean American : $53,154[2]
Samoan American : $52,588[2]
Thai American : $52,367[2]
Micronesian American : $50,855[2]
Tongan American : $50,257
Cambodian American : $49,870[2]
Burmese American : $47,259[2]
Hmong American : $46,634[2]
Nepalese American : $46,351[2]
Marshallese American : $26,914[2]

Gini Coefficient – Income Distribution within Asian Pacific Group (Mean Family Income)

Quintiles:

Top Quint:
Filipino American : $76,954[2]
Taiwanese American : $73,988[2]
Chinese American : $67,211[2]
Fijian American : $67,003[2]
Melanesian American : $66,794[2]

2nd

Japanese American : $66,443[2]
DUMMY[24]: $65,606
Hawaiian American : $60,988[2]
Malaysian American : $60,613[2]
Palauan American : $60,471[2]

3rd

Indonesian American : $59,509[2]
Polynesian American : $58,582[2]
Vietnamese American : $55,132[2]
Laotian American : $55,119[2]
Korean American : $53,154[2]

4th

Samoan American : $52,588[2]
Thai American : $52,367[2]
Micronesian American : $50,855[2]
Tongan American : $50,257
Cambodian American : $49,870[2]

Bottom 5th

Burmese American : $47,259[2]
Hmong American : $46,634[2]
DUMMY : $46,501
Nepalese American : $46,351[2]
Marshallese American : $26,914[2]

$ - % - cumulative %

351 - .25 - 100

314 - .22 - .68

282 - .20 - .45

256 - .18 - .25

215 - .15 - .11

[24] Refers here to a statistical smoothing device used to fill-out or approximate missing data without changing the cumulative percentage given for the quintile in which it appears.

1418

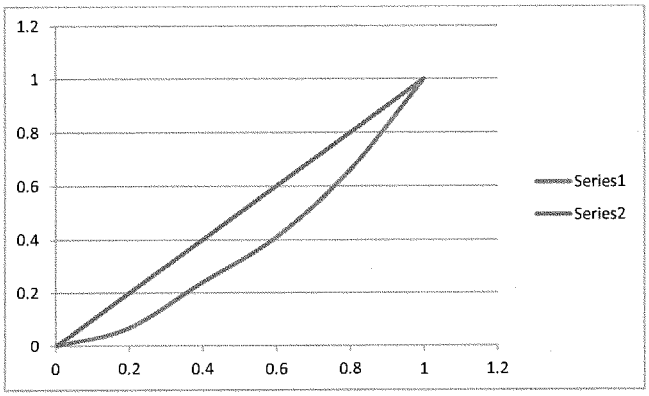
(INVERT AND ADD QUINTILES TO SET RANGE)

0	0	0
0.2	0.15	0.2
0.4	0.33	0.4
0.6	0.53	0.6
0.8	0.75	0.8
1	1	1

EXCEL GRAPH

(INSERT – GRAPH TYPE – SCATTER WITH DATA POINTS CONNECTED BY SMOOTH LINES WITHOUT MARKERS)

G. CHART 2: Gini Coefficient – Lorenz Curve – Asian Pacific Americans



H. India Asian Group Family Incomes

Breaking these categories down into nationality groups, we find the following range of incomes reported for India Asian Nationality Groups:

Indian American : $86,130[2]

Sri Lankan American : $65,606[2]

Pakistani American : $61,279[2]

Nepalese American : $46,351[2]
Bangladeshi American : $46,157[2]

Bhutanese American : $17,843[2]

Gini Coefficient – Income Distribution within Asian Pacific Group (Mean Family Income)

Quintiles:

Top Quint:

Indian American : $86,130[2]

2nd

Sri Lankan American : $65,606[2]

Pakistani American : $61,279[2]

3rd

Nepalese American : $46,351[2]

4th

Bangladeshi American : $46,157

Bottom 5th

Bhutanese American : $17,843[2]

- % - cumulative %

86 - .33 - 100

67 - .25 - .66

46 - .17 - .41

46 - .17 - .24

18 - .07 - .07

263

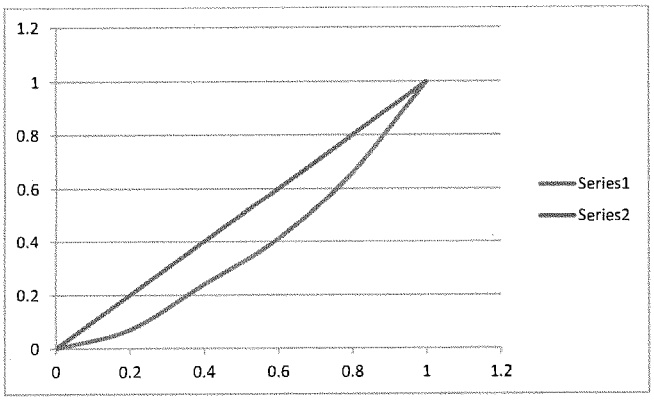
(INVERT AND ADD QUINTILES TO SET RANGE)

0	0	0
0.2	0.07	0.2
0.4	0.24	0.4
0.6	0.41	0.6
0.8	0.66	0.8
1	1	1

EXCEL GRAPH

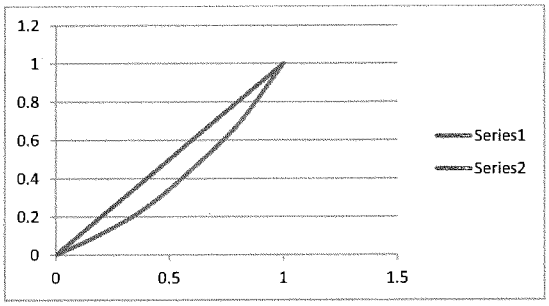
(INSERT – GRAPH TYPE – SCATTER WITH DATA POINTS CONNECTED BY SMOOTH LINES WITHOUT MARKERS)

I. CHART 3: Gini Coefficient – Lorenz Curve – Asian Indian Americans

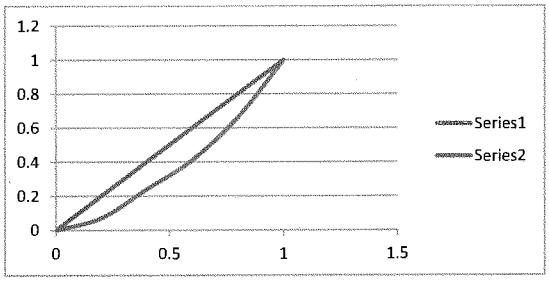


J. CHARTS 1-3 COMPARED

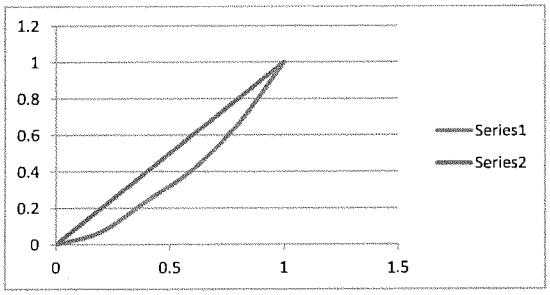
1. Arab American Nationalities



2. Asian Pacific American Nationalities



3. Indian Asian American Nationalities



K. Some general principles and observations about Gini Coefficients/Lorenz Curves

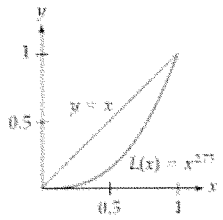
- The lower the coefficient, the more equal the distribution of income (a coefficient of 0.0 is perfect equality, 1.0 indicates perfect inequality).
- A perfectly equal income distribution would be one in which every person has the same income. This can be depicted by the straight line "y" = "x"; called the "line of perfect equality," indicated in our graphs above as (series 1, blue).
- The amount of inequality of income is indicated by the area between the line of perfect equality (series 1, blue) and the actual Lorenz curve plotted (series 2, red) according to the distribution of numbers found for the five quintiles. The larger that area, generally, the greater the difference between perfect even distribution of income and actual observed inequality.
- In a Lorenz curve, the x axis is divided into five sectors moving from left to right which corresponds with the five quintiles – 20% income group, 40%, 60%, 80% -- moving from the lowest income near the intersection with the y axis across five sectors to the top income group at the extreme right, which corresponds with the top 100% recorded income.
- One can see that in some Lorenz curves, shares of incomes are fairly evenly divided and the curve is shallow, regular in curvature, with evenly tapering ends. This indicates that income is distributed relatively evenly across the population income scale. In other circumstances, such as where the top income group has almost all income, the shape of the curve can be radically different, with the great mass of income distributed to the right end of the x scale, with a sharply rising slope at that end, and a large area of undistributed wealth under the line of perfect equality. The practical differences are illustrated below, showing a series of Lorenz curves for various sources of incomes and how that has become increasingly unequal and concentrated upwards within the American economy during the period 1979-2007:[25] The Census Bureau reported that the Gini coefficient was 0.397 in 1968 and 0.470 in 2006—the

[25] See, Jared Bernstein, "Some Nice Curves", (Oct. 26, 2011), income distribution data based upon a CBO study, http://jaredbernsteinblog.com/some-nice-curves/

highest ever recorded for the United States,[26] as calculated and displayed below[27]:

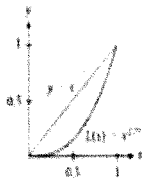
L. Genie Coefficient and Lorenz Curves for Income and Wealth in the U.S.

M. Illust. 1- Lorenz Curve for Distribution of Income (U.S., 2006)



N. Illust. 2 - Formula for Calculation of U.S. Genie Coefficient (0.47)
Lorenz Curve: $y = x^{2.75}$

[26] U.S. Census Bureau, Current Population Reports, P60-233, Income, Poverty, and Health Insurance Coverage in the United States: 2006, U.S. Government Printing Office, Washington, D.C.
[27] Geoffrey C. Berresford, Andrew Mansfield Rockett, Applied Calculus Applied Calculus - Page 386 , (2012)



Solution

First we calculate the area between the curve of absolute equality $y = x$ and the Lorenz curve $y = x^{1.75}$

$$\int_0^1 (x - x^{1.75})\,dx = \left(\frac{1}{2}x^2 - \frac{1}{3.75}x^{3.75}\right)\Big|_0^1$$

$$= \frac{1}{2}\,1^2 - \frac{1}{3.75}\,1^{3.75} - 0$$

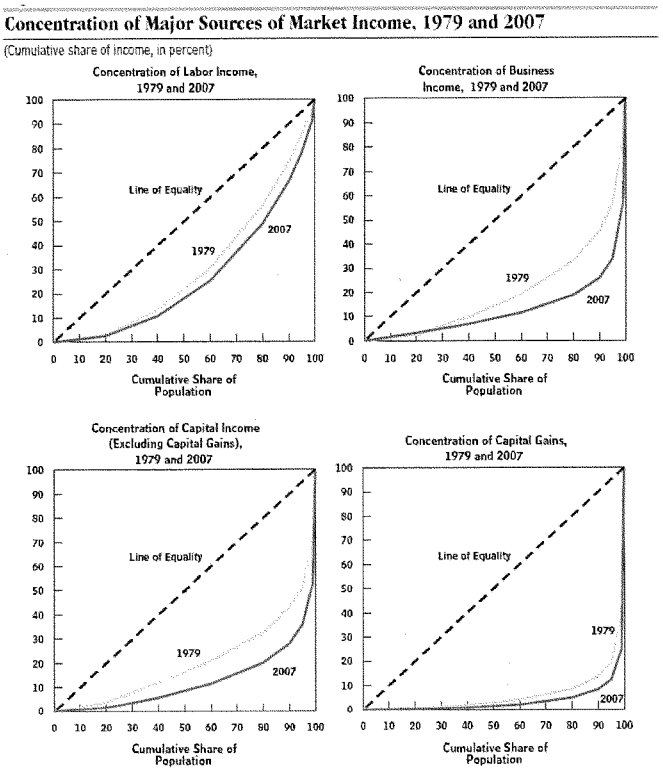
$$= 0.5 - 0.267 = 0.233$$

Multiplying by 2 gives the Gini index.

$$\begin{pmatrix}\text{Gini}\\ \text{index}\end{pmatrix} = 0.47$$ Rounded to 2 decimal places

Source: U.S. Census Bureau

O. Illust. 3 – U.S. Genie Coefficient Adjusted for Business Income, Capital Income, and Capital Gains (1979 and 2007)



Finally, note that the curve shown at the upper-top left quadrant for Concentration of Labor Income corresponds most closely with the curves we found for distribution of income among the three ethnic groups we study here. This is not surprising, given that incomes recorded for these groups generally correspond closely

with national norms for wage income, and may in fact show somewhat greater equality than the overall national average.

As we see from Illustration 3, above, much of the income of top five percent in America is acquired through concentration of business income and capital income, while the top one percent Capital Gains, that when factored into the equation radically change the shape of the Lorenz curves for income distribution. This latter factor of Capital Gains, in particular, is often not measured by the indices for income that are used by the Census for median household income. These CBO graphs, instead, give a clearer picture of the disparity in wealth between US non-hispanic whites who own most capital and minority groups, such as Arab Americans, who have not been able to access the pinnacle of American business and society.

The Genie Coefficient for the United States is one of the more unequal in the western developed countries - at than .40 in a 2004 World Bank comparison with some other countries, shown below: Arab Americans and business owners as a group have a long way to go before they are fully assimilated and able to access capital on an equal footing.

Gini Coefficent of selected countries
Sources: The World Bank (2004)
and Human Development Report (2004)

Belgium	.250
Canada	.331
Chile	.571
Costa Rica	.465
Germany	.283
Mexico	.546
Panama	.564
Sweden	.250
Taiwan	.326
Turkmenistan	.408
United Kingdom	.360
United States	.408
Uruguay	.446

VII. GROUP EXHIBIT A.

List of ethnic groups in the United States by household income[28]

This is a **list of by median household income** by race, and ancestry, and ethnicity.

Contents

By race

1. **Asian American : $68,089**[1]
2. **Pacific Islands American : $ 58,859**[1]
3. **White American : $ 54,857**[1]
4. **Total Population** : $ 51,914[1]
5. Native American : $ 38,806[1]
6. African American : $ 35,341[1]

By Ancestry or ethnicity

1. **Indian American : $86,130**[2]
2. South African American : $81,912[3]
3. **Filipino American : $76,954**[2]
4. European American : $75,466[3]
5. **Taiwanese American : $73,988**[2]
6. Maltese American : $72,847[3]
7. British American : $72,268[3]
8. Russian American : $72,179[3]
9. Australian American : $72,104[3]
10. Latvian American : $71,797[3]
11. Iranian American : $68,028[3]

[28] http://en.wikipedia.org/wiki/List_of_ethnic_groups_in_the_United_States_by_household_income

12. Lithuanian American : $67,493[3]
13. Lebanese American : $67,264[3]
14. Chinese American : $67,211[2]
15. Fijian American : $67,003[2]
16. Austrian American : $66,928[3]
17. Israeli American : $66,695[3]
18. Melanesian American : $66,794[2]
19. Japanese American : $66,443[2]
20. Scandinavian American : $66,219[3]
21. Sri Lankan American : $65,606[2]
22. Slovene American : $65,269[3]
23. Slavic Americans : $65,263[3]
24. Croatian American : $64,882[3]
25. Scottish American : $64,446[3]
26. Icelandic American : $64,403[3]
27. Romanian American : $64,390[3]
28. Italian American : $64,301[3]
29. Greek American : $64,227[3]
30. Luxembourgian American : $63,841[3]
31. Swiss American : $63,682[3]
32. Belgian American : $63,526[3]
33. Serbian American : $63,319[3]
34. Basque American : $63,305[3]
35. Polish American : $62,862[3]
36. Egyptian American : $62,812[3]
37. Okinawan American : $62,725[2]
38. Syrian American : $62,637[3]
39. Ukrainian American : $62,342[3]
40. Welsh American : $62,226[3]
41. Hungarian American : $62,002[3]
42. Danish American : $61,920[3]
43. Croatian American : $61,786[3]
44. Canadian American : $61,716[3]
45. Swedish American : $61,549[3]
46. Bolivian American : $61,501[2]
47. Macedonian American : $61,409[3]
48. Pakistani American : $61,279[2]
49. Hawaiian American : $60,988[2]
50. Norwegian American : $60,935[3]
51. Malaysian American : $60,613[2]
52. French Canadian American : $60,559[3]
53. Palauan American : $60,471[2]
54. Portuguese American : $60,251[3]
55. Slovak American : $59,954[3]
56. Czechoslovakian American : $59,815[3]
57. Indonesian American : $59,509[2]

58. German American : $59,383[3]
59. Finnish American : $59,379[3]
60. English American : $59,141[3]
61. Chilean American : $58,579[2]
62. Irish American : $58,634[3]
63. Polynesian American : $58,582[2]
64. Bulgarian Americans : $58,437[3]
65. Celtic American : $58,165[3]
66. Cameroonian American : $57,589[3]
67. Nigerian American : $57,375[3]
68. Chamorro American : $57,249[2]
69. Argentine American : $56,918[2]
70. Armenian American : $56,674[3]
71. Scotch-Irish American : $56,658[3]
72. Turkish American : $56,480[3]
73. Arab American : $56,433[3]
74. Cajun American : $56,344[3]
75. Palestinian American : $55,950[3]
76. Yugoslav American : $55,702[3]
77. Sierra Leonean American : $55,305[3]
78. Vietnamese American : $55,132[2]
79. Laotian American : $55,119[2]
80. French American : $55,071[3]
81. Guyanese American : $54,943[3]
82. Albanian American : $54,356[3]
83. Spanish American : $54,275[2]
84. Dutch American : $53,985[3]
85. Barbadian American : $53,978[3]
86. Assyrian/Chaldean/Syriac Americans : $53,471[3]
87. Korean American : $53,154[2]
88. Algerian American : $52,815[3]
89. Samoan American : $52,588[2]
90. Venezuelan American : $52,435[2]
91. Thai American : $52,367[2]
92. Kenyan American : $51,725[3]
93. Ghanaian American : $51,067[3]
94. Paraguayan American : $50,930[2]
95. Micronesian American : $50,855[2]
96. Colombian American : $50,731[2]
97. Antigua and Barbuda American : $50,341[3]
98. Tongan American : $50,257[2]
99. Costa Rican American : $50,197[2]
100. Peruvian American : $50,179[2]
101. Cambodian American : $49,870[2]
102. Panamanian American : $49,834[2]
103. Brazilian American : $49,830[3]

104. Ecuadorian American : $49,755[2]
105. Jamaican American : $49,634[3]
106. Nicaraguan American : $49,335[2]
107. Grenadian American : $49,097[3]
108. Uruguayan American : $48,991[2]
109. Vincent-Grenadine Islander American : $48,147[3]
110. Jordanian American : $47,692[3]
111. British West Indian American : $47,449[3]
112. West Indian American : $47,373[3]
113. Burmese American : $47,259[2]
114. American : $46,882[3]
115. Hmong American : $46,634[2]
116. Belizean American : $46,453[3]
117. Nepalese American : $46,351[2]
118. Bangladeshi American : $46,157[2]
119. Saint Lucia Islander American : $45,073[3]
120. Cape Verdean American : $44,811[3]
121. Moroccan American : $44,521[3]
122. Salvadoran American : $44,322[2]
123. Haitian American : $44,135[3]
124. Cuban American : $43,857[2]
125. Pennsylvania German American : $43,788[3]
126. Afghan American : $43,023[3]
127. Bahamian American : $41,925[3]
128. Congolese American : $41,563[3]
129. Hispanic and Latino Americans : $41,534[2]
130. Guatemalan American : $41,272[2]
131. Dutch West Indian American : $41,029[3]
132. Subsaharan African American : $40,977[3]
133. Mexican American : $40,588[2]
134. Ethiopian American : $40,309[3]
135. Liberian American : $40,277[3]
136. Senegalese American : $39,410[3]
137. African American : $38,705[3]
138. Puerto Rican American : $38,426[2]
139. Honduran American : $37,901[2]
140. Kurdish American : $35,638[3]
141. Dominican American : $34,925[2]
142. Yemeni American : $34,667[3]
143. Sudanese American : $32,165[3]
144. Iraqi American : $32,075[3]
145. Mongolian American : $31,915[2]
146. Marshallese American : $26,914[2]
147. Somali American : $19,061[3]
148. Bhutanese American : $17,843[2]

References

1. ^ a b c d e f "Median Household Income in the Past 12 Months (in 2010 inflation-adjusted dollors)". *2006-2010 American Community Survey*. United States Census Bureau. 3010. Retrieved 22 April 2013.
2. ^ a b c d e f g h i j k l m n o p q r s t u v w x y z aa ab ac ad ae af ag ah ai aj ak al am an ao ap aq ar as at au av aw ax ay az "Median houseland income in the past 12 months (in 2010 inflation-adjusted dollars)". *2006-2010 American Community Survey*. United States Census Bureau. 2010. Retrieved 22 April 2013.
3. ^ a b c d e f g h i j k l m n o p q r s t u v w x y z aa ab ac ad ae af ag ah ai aj ak al am an ao ap aq ar as at au av aw ax ay az ba bb bc bd be bf bg bh bi bj bk bl bm bn bo bp bq br bs bt bu bv bw bx by bz ca cb cc cd ce cf cg ch ci cj ck cl cm cn co cp cq cr "Median household income in the past 12 Months (in 2010 inflation-adjusted dollars)". *2006-2010 American Community Survey*. United States Census Bureau. 2010. Retrieved 22 April 2013.
4. ^ a b c d e f g h i j k l m n o p q r s t u v w x y z aa ab ac ad ae af ag ah ai aj ak al am "Median household income in 1999 (dollars) [1]". *Census 2000*. United States Census Bureau. 2000. Retrieved 23 April 2013.

See also

- Per capita income in the United States by ancestry
- Per capita income in the United States by country of birth

VIII. Arab Americans Versus Asian-Americans and Indian Americans – Some Common Social Characteristics and Shared Disadvantages, But Arab Americans are Increasingly Disadvantaged.

As cited in Do Asians in the U.S. have high incomes?, here's part of the summary from the *New York Times* of the release of the Pew Research Center report on Asians in the U.S., titled "The Rise of Asian Americans" (June 2012):

> Drawing on Census Bureau and other government data as well as telephone surveys from Jan. 3 to March 27 of more than 3,500 people of Asian descent, the 214-page study found that Asians are the highest-earning and best-educated racial group in the country.
>
> **Among Asians 25 or older, 49 percent hold a college degree, compared with 28 percent of all people in that age range in the United States.** Median annual household income among Asians is $66,000 versus $49,800 among the general population.

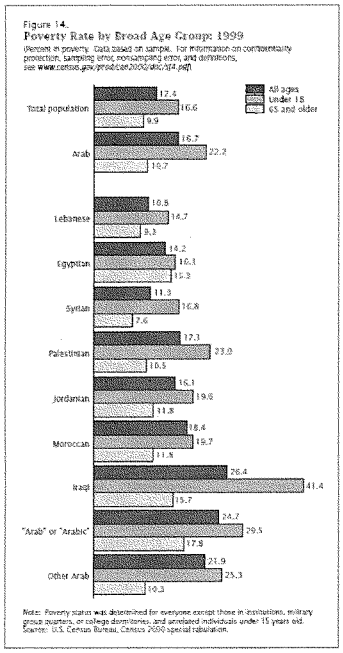
Those characteristics can be compared to generalized Arab American characteristics reported by the Arab American Institute *Quick Facts About Arab Americans*:

> **More than 45% have a bachelor's degree or higher, compared to 28% of Americans at large** [. . .] Median income for Arab American households in 2008 was $56,331 compared with $51,369 for all households in the United States.

Like Asians, the Arab American group includes national groups that are in extreme poverty. Overall, 13.7 percent of Arab Americans live in poverty; that jumps to 28% for single mothers. The figure for overall percentage of the U.S population below the poverty line, 2007-11 is 14.3 percent.[29]

This figure compares with detailed statistics based in the 2000 Census that showed 16.6 percent of the Arab American population in poverty with 11 percent of Syrians and Lebanese, compared to 12 percent for the overall population at that time.[30] Poverty rates for some nationalities were extremely high, ranging up to 41.4 percent for Iraqis, many of whom were very recently arrived refugees at that time. Still, of those who identified themselves as "Arab" or "Arabs", nearly one-in-five were in poverty in that census.

A. Illustr. 1 - Poverty Rate for Arab Americans by Nationality



[29] See, US Census Quickfacts, http://quickfacts.census.gov/qfd/states/00000.html
[30] See, US Census, We the People of Arab Nationality, (2005), Fig. 14.

IX. American Community Survey, Arab Households in the United States: 2006-2010

The recently released *American Community Survey, Arab Households in the United States: 2006-2010*[31] -- provides a national-level portrait of U.S. households with a particular focus on Arab households: average household size, household type, homeownership and median household income. While that brief does not provide detailed new information directly on the subject of poverty, one fact does stand out: the slowing of growth of the Arab American population since the 2000 Census:

> The number of Arab households has also grown over time, increasing from 268,000 in 1990 to 427,000 in 2000. Data from the 2006–2010 ACS 5-year estimates reveal that there were 511,000 Arab households in the United States, representing a 91.0 percent increase since 1990.

The dramatically reduced rate of new household formations for Arab Americans shown in the 2010 Census indicates that despite the slowed rate of new immigrant and refugee arrivals, poverty rates while somewhat improved overall remain comparatively high for this group, while incomes at the top did not rise as much as for Asians and Indians during the past decade. As a preliminary assessment, one can concluded that as a group, relative to other major minorities, Arab American economic and social development appears to have stalled since 2000.

Compared to Asian Americans, the immigrant group with the fastest growing population in the United States during the past decade, Arab Americans incomes have stagnated. Even among some of the poorest, more recently arrived nationalities for whom one would normally expect to see rapid, dramatic progress out of poverty, there has barely any progress for some Arab Americans since 2000. A Migration Policy Institute report on Asian Americans[32] makes the following invidious comparison:

> The share of Asian born living in poverty varies significantly by country of origin. Less than 10 percent of immigrants from the Philippines (5.2 percent), India (6.6 percent), and Turkey (8.9 percent) lived in poverty. In contrast, 38.2 percent of Iraqi and 33.3 percent of Yemen immigrants were in poverty.

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[31] See, http://www.census.gov/newsroom/releases/archives/american_community_survey_acs/cb13-tps52.html

[32] See, See, Jeanne Batalova, "Asian Immigrants in the United States", Migration Policy Institute, (May, 2011) http://www.migrationinformation.org/usfocus/display.cfm?ID=841

X. Demographic Findings from the 2003 Detroit Study

Arabs and Chaldeans are disproportionately represented among the area's wealthiest and poorest households.[33]

The relatively high number of Arabs and Chaldeans without a high school degree is reflected in income figures. Twenty-four percent claim an annual total family income of under $20,000, 6 percentage points higher than in the general population. On the other
hand, 25 percent report total family incomes of $100,000 or more per year, compared to 16 percent in the larger population. Those born in the U.S. are more affluent still: 36 percent report an annual total family income of $100,000 or more, and only 7 percent report less than $20,000 a year. In the middle income ranges, the differences are less apparent. Twenty-seven percent put their total family incomes between $20,000-$49,999, and 24 percent between $50,000-$99,999. The comparable numbers for the general population are 30 percent and 37 percent respectively.

Aside from studies based in the Census ACS data, there is a dearth of recent in-depth socio-economic study conducted into the Arab American community in the United States. One of the few recent surveys is a 2012 study conducted by the NYU Graduate School of Public Service for the Arab American Association of New York (AAANY) of the Arab American population in the Bensonhurst neighborhood and surrounding areas of southwestern Brooklyn, New York.[34]

The NYU survey focuses on likely clients for social services offered by AAANY in a relatively low-income area of New York City, one of the principal concentrations of Arab Americans in the United States.[35] Nonetheless, the survey finds a startlingly high level of poverty and unemployment among this particular group of inner-city Arab Americans, nearly 50 percent.[36] Educational levels and Incomes for this group are also significantly lower than average for Arab Americans, and those who were employed were in positions that did not require more than a High School education. Significantly, most of the survey population is of Quint One or Two ancestry or countries of origin and the majority were born in the U.S.:

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[33] See, *Preliminary Findings from the Detroit Arab American Study* (2003)

[34] See, The *Arab American* Community Survey,

[35] *11209 zip code* median household *income* is $44,518 in 2000.

[36] Note, however, that the particular demographics of the survey group (60 percent female, 35 percent attending school at least part-time) make direct comparisons difficult. It should also be noted that the educational and income levels for this group of 500 survey respondents in Southwestern Brooklyn was significantly lower than the norm shown by ACS data for the entire New York area.

The majority of respondents have total annual household income levels below $40,000. According to the 2010 U.S. Census, the median household income in the country is $51,914 while the median household income in New York State is $55,603. [. . .] a typical household of the respondents includes a total of four people. Based on the U.S. Department of Health and Human Services, the poverty level for a household of four is $23,050.

[. . .]

Annual Household Income
$20,000 — $29,999: 23.08% of respondents.
Less than $10,000: 19.94% of respondents.
$10,000 — $19,999: 19.66% of respondents.
$30,000 — $39,999: 12.25% of respondents.
$40,000 — $49,999: 7.98% of respondents.
$50,000 — $79,999: 6.84% of respondents.
$80,000 — $149,999: 6.27% of respondents.
$150,000 or more: 3.99% of respondents.

[. . .]

Highest Level of Education Completed in the United States

Other / not applicable: 34.39% of respondents.
High school (grades 9 — 12): 28.61% of respondents.
Bachelor's degree: 11.85% of respondents.

Highest Level of Education Completed Outside the United States
Other / not applicable: 33.43% of respondents.
High school (grades 9 — 12): 21.35% of respondents.
Bachelor's degree: 16.01% of respondents.

[. . .]

Jobs
Student: 19.94% of respondents.
Sales/retail: 19.02% of respondents.
Taxi/livery: 11.96% of respondents.
Medical and health services: 8.59% of respondents.
Food services: 7.98% of respondents.

Family's Country of Origin
Egypt: 26.23% of respondents.
Palestine: 19.48% of respondents.
Yemen: 15.84% of respondents.
Morocco: 12.99% of respondents
Algeria: 8%
Lebanon: 7%
Syria: 5%
Jordan: 4%
U.S. born parents: 4% of respondents

Sudan: 2%
Tunisia: 1%

The above findings can be compared with the most widely cited survey on this subject – "The Detroit Studies"[37] – published in 2003, a study conducted by a team from the University of Michigan and Princeton University, and received funding from the Russell Sage Foundation and the Andrew W. Mellon Foundation. That study painted a far rosier picture of the situation a decade ago, and is described and summarized as follows:

> The Detroit Arab American Study (DAAS), 2003, a companion survey to the 2003 Detroit Area Study (DAS), using a representative sample (DAS, n = 500) drawn from the three-county Detroit metropolitan area and an oversample of Arab Americans (DAAS, n = 1000) from the same region, provides a unique dataset on September 11, 2001, and its impacts on Arab Americans living in the Detroit metropolitan area. The data contain respondent information concerning opinions on their experiences since the September 11, 2001, attacks on the World Trade Center and the Pentagon, social trust, confidence in institutions, intercultural relationships, local social capital, attachments to transnational communities, respondent characteristics, and community needs.

The specific findings of the Detroit Studies most relevant here are as follows:

> • Arabs and Chaldeans trace their ancestry to four sending areas: Lebanon/Syria (37 percent), Iraq (35 percent), Palestine/Jordan (12 percent), and Yemen (9 percent). Seventy-five percent were born outside the U.S.
> • They are deeply religious, 58 percent Christian and 42 percent Muslim. Most Christian Arabs and Chaldeans are dispersed throughout Detroit's suburbs, while two-thirds of Muslims live in the Dearborn area.
> • Seventy-nine percent are American citizens;
> • Nearly two-thirds identify their race as "white," while another third identify as "other." Seventy percent say that the term "Arab American" describes them.
>
> [. . .]
>
> - Twenty-eight percent of Arabs and Chaldeans do not have a high school degree, compared to 13 percent of the general population. Among American-born Arabs and

[37] See, Baker, Wayne, Ronald Stockton, Sally Howell, Amaney Jamal, Ann Chih Lin, Andrew Shryock, and Mark Tessler. Detroit Arab American Study (DAAS), 2003. ICPSR04413-v2. Ann Arbor, MI: Inter-university Consortium for Political and Social Research [distributor], 2006-10-25. doi:10.3886/ICPSR04413.v2, http://www.icpsr.umich.edu/icpsrweb/ICPSR/studies/4413; See, related, Preliminary Findings, Preliminary Findings from the *Detroit Arab American Study* [pdf]

Chaldeans, only 6 percent are not high school graduates, whereas over a third of those born abroad (36 percent) have not completed high school.

- Fourteen percent have college degrees and 9 percent report advanced degrees (17 percent and 10 percent respectively, in the overall population [in the same area]). [. . .]

- Arabs and Chaldeans are disproportionately represented among the area's wealthiest
and poorest households.
- Twenty-four percent claim an annual total family income of under $20,000, 6 percentage points more than in the general population.
- On the other hand, 25 percent report total family incomes of $100,000 or more per year, compared to 16 percent in the larger population.
- Those born in the U.S. are more affluent still: 36 percent report an annual total family income of $100,000 or more, and only 7 percent report less than $20,000 a year.
- In the middle income ranges, the differences are less apparent. Twenty-seven percent put their total family incomes between $20,000-$49,999, and 24 percent between $50,000-$99,999. The comparable numbers for the general population are 30 percent and 37 percent respectively.

These general patterns observed for Detroit's Arab American populations of extremes of poverty and affluence repeats and underscores the socio-economic findings about this group we have observed for the group across America in the ACS surveys [also, see, APPENDIX: Group Exhibit B: Characteristics of the Arab American Population, Brooklyn, NY]:

:

- Arab Americans, while as a whole more affluent than the general population because of high incomes by long-established nationalities at the top, are also poorer than average in the bottom Quint
- Arab Americans continue to exhibit a higher than average rate of poverty, both in the U.S. and in local studies conducted in New York and Detroit, and compared to Asian Americans and Indian Americans.
- Poverty has actually increased for some Arab American nationalities in the bottom Quint.
- Arab Americans, while they have a slightly higher rate of bachelor's degree than the general population (overall in the United States), in Detroit and New York have both a much lower percentage of both post-graduate degrees and of high school graduation than do Asian and Indian Americans.

Indeed, as we move up the socio-economic ladder, we find that nationals of longer established Arab American immigrant groups also run up against a ceiling that

hold back their breakthrough into the very top rungs of American society where ownership and access to capital is most often acquired by a grant of partnership status in larger firms. Studies showing impediments to hiring and partnership for Arab Americans, like other minorities, in the legal profession has been described in detail elsewhere in this report. That barrier to breakthrough to the upper reaches of the Top Quint for Arab Americans reflects some of the issues reported for Asian Americans, as in the article describing "the Bamboo Ceiling", immediately below.

XI. Asian Americans – the "Bamboo Ceiling"

Wiki

The Civil Rights Act of 1964 prohibited discrimination on the basis of race. However, covert forms of racism persist in the workforce. The Census Bureau reports that Asian Americans have the highest education levels of any racial category in the United States. **Of Asian Americans, 52.4% are college graduates, while the national average is 29.9%.**[6] The Asian American population accounts for about 4.8% of the U.S. population,[7] but only 0.3% of corporate office populations.[8] In New York, Asian Americans have the highest number of associates at top New York law firms, yet the lowest conversion rate to partner.[9] Even in fields where Asian Americans are highly represented, such as the Silicon Valley software industry, they comprise a disproportionately small percentage of upper management and board positions.[2] Statistics show that 1 out of 3 or one-third of all software engineers in the Silicon Valley being Asian, they make up only 6% of board members and 10% of corporate officers of the Bay Area's 25 largest companies and at the National Institutes of Health, where 21.5% of scientists are Asians, they make up only 4.7% of the lab and branch directors.[10] According to a study of the 25 largest Bay Area companies 12 had no Asian board members, and five had no Asian corporate officers.[11]

The bamboo ceiling in the United States is a subtle and complex form of discrimination, and the umbrella term "Asian American" extends to include a number of diverse groups, including South Asians, East Asians, and Southeast Asians. These groups are often subject to "model minority" stereotypes, and viewed as quiet, hardworking, family-oriented, high achieving in math and science, passive, nonconfrontational, submissive, and antisocial.[12] In the workforce, some of these perceptions may seem positive in the short-term, but in the long-term they impede progression up the corporate and academic ladders.

While Asian Americans are often viewed as a "model minority" race, many feel that they are an invisible or "forgotten minority," despite being one of the fastest growing groups in the country. Because they are generally considered ineligible for many of the minority rights of under-represented races, and Asian Americans have been shown to be less likely to report incidents of racial discrimination in the workplace, although there are far

fewer institutional avenues and programs for them to combat these labels and perceptions.[13]

On the other hand, Asian Americans and immigrants as a broader category tend to enter into certain professions, particularly medicine, in numbers that are disproportionately greater than their share of the general population. The Migration Policy Institute has analyzed the data for Asians found in the 2009 ACS Survey, and reports:

> **Employed Asian immigrants were more concentrated in highly skilled occupations such as management, information technology, and science and engineering than were immigrants overall.**[38]
>
> Among the 3.3 million Asian immigrant male workers age 16 and older in 2009, 16.9 percent were employed in management, business, and finance occupations, 11.4 percent in computer sciences and related information technology (IT) occupations, and another 8.8 percent in other sciences and engineering occupations. At the same time, 12.2 percent worked in service occupations and 11.9 percent in sales.
>
> Among the 2.8 million Asian-born female workers age 16 and older, 18.0 percent reported working in service occupations, 14.7 percent in management, business, and finance positions, and 13.6 percent in office and administrative support roles.

Table: Occupations of Asian-American Employed Workers in the Civilian Labor Force Age 16 and Older by Gender and Origin, 2009

	Asian born		Foreign born (total)	
	Male	Female	Male	Female
Number of persons age 16 and older employed in the civilian labor force (000s)	3,328	2,848	13,143	9,378
Total (Percent)	100.0	100.0	100.0	100.0
Management, business, finance	16.9	14.7	10.7	10.5
Information technology	11.4	5.0	4.3	2.1

[38] See, Batalova, *Ibid.*

Other sciences and engineering	8.8	3.9	3.9	2.1
Social services and legal	1.5	1.7	1.1	2.0
Education and training	3.7	6.4	2.1	5.8
Arts and entertainment	1.6	1.7	1.3	1.5
Physicians	2.5	1.6	1.1	0.8
Registered nurses	0.8	6.2	0.4	3.6
Other health care practitioners	2.6	5.0	1.3	3.4
Healthcare support	1.0	3.5	0.7	5.6
Services	12.2	18.0	18.5	26.5
Sales	11.9	10.7	7.8	10.3
Office and administrative support	6.3	13.6	5.3	14.2
Farming, fishing, and forestry	0.2	0.2	2.7	1.0
Construction, extraction, trade	2.5	0.1	14.6	0.3
Manufacturing, installation, repair	10.9	6.7	14.2	7.8
Transportation and material moving	5.4	1.2	9.9	2.7

Source: MPI Analysis of public use microdata from 2009 American Community Survey. Accessed from Steven Ruggles, J. Trent Alexander, Katie Genadek, Ronald Goeken, Matthew B. Schroeder, and Matthew Sobek. Integrated Public Use Microdata Series: Version 5.0 [Machine-readable database]. Minneapolis: University of Minnesota, 2010.

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Asian immigrants accounted for 58 percent of all immigrant physicians and surgeons and 52 percent of all immigrant registered nurses.
In 2009, 58.2 percent (or 129,000) of the 222,000 immigrant physicians and surgeons practicing in the United States were from Asia. Asian physicians and surgeons

accounted for 15.5 percent of all 832,000 workers employed in these two professions in the country.

In that same year, Asian immigrant registered nurses (RNs) accounted for 51.9 percent (or 202,000) of the 390,000 immigrant RNs, and represented 7.3 percent of the 2.8 million RNs in the country.

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Asian immigrants were less likely than the overall immigrant population to live in poverty.
In 2009, 12.5 percent of Asian immigrants lived in a household with an annual income below the federal poverty line. The share of Asian immigrants living in poverty was comparable to that among the US born (13.5 percent), but was substantially lower than among all immigrants (17.3 percent).

The share of Asian born living in poverty varies significantly by country of origin. Less than 10 percent of immigrants from the Philippines (5.2 percent), India (6.6 percent), and Turkey (8.9 percent) lived in poverty. In contrast, 38.2 percent of Iraqi and 33.3 percent of Yemen immigrants were in poverty.

Note: Individuals residing in families with a total annual income of less than the federal poverty line are described as living in poverty. Whether an individual falls below the official poverty line depends not only on total family income, but also on the size of the family, the number of children, and the age of the head of household. The ACS reports total income over the 12 months preceding the interview date.

XII. Indian-Americans – General Characteristics

http://en.wikipedia.org/wiki/Indian_American

Education

With the recent wave of highly educated Indian professionals, Indian Americans continuously outpace most ethnic groups socioeconomically to reach the summit of the U.S. Census charts.[22] Indian Americans, along with other Asian Americans, have one of the highest educational levels of all ethnic groups in the U.S. **71% of all Indians have a bachelor's or high degree (compared to 28% nationally and 44% average for all Asian American groups)**. Almost 40% of all Indians in the United States have a master's, doctorate or other professional degree, which is five times the national average.[23][24] Thomas Friedman, in his recent book, *The World is Flat*, explains this trend in terms of brain drain, whereby the best and brightest elements in India emigrate to the U.S. in order to seek better financial opportunities.[25]

Indian-American Educational Attainment, 2010[26] (25 and Older)	
Ethnicity	Bachelor's Degree or Higher
Indian	71.1%
Chinese	52.4%
Filipino	48.1%
Total US Population	28.0%

Economics

Main article: Model minority

According to the 2010 U.S. Census, Indian Americans had the highest household income of all ethnic groups in the United States. [United States - Selected Population Profile in the United States (Asian Indian alone or in any combination)]

According to the American Association of Physicians of Indian Origin, there are close to 35,000 Indian American doctors.[27]

Among Indian Americans, 72.3% participate in the U.S. work force, of which 57.7% are employed in managerial and professional specialties.[28] As of 2010 66.3% of Indian Americans are employed in select professional and managerial specialties compared with the national average of 35.9%.[29]

In 2002, there were over 223,000 Asian Indian-owned firms in the U.S., employing more than 610,000 workers, and generating more than $88 billion in revenue.[30]

Indian-American Median Household Income, 2010[31]	
Ethnicity	Household Income
Indians	$88,538[31]
Filipinos	$75,146[32]
Chinese	$69,037[33]

Japanese	$64,197[34]
Koreans	$53,025[35]
Total US Population	$50,221

XIII. Census Data Search – Median Household Income, Arab Americans and India

http://factfinder2.census.gov/faces/tableservices/jsf/pages/productview.xhtml?pid=ACS_11_1YR_S0201&prodType=table

	Arab (400- 415, 417-418, 421-430, 435-481, 490-499)	India
	Arab	**India**
Median household income (dollars)	51,363 +/-863	96,172 +/-2,117

XIV. Social Immobility: Relative Disadvantage of Immigrant Small Business Owners; Arab Americans have High Rates of Small Business Ownership

John Zogby, an Arab American demographer and pollster, has observed that small business ownership is typically the path into the middle-classes of American life for Arab Americans:[39]

> For Arab Americans, owning and running small businesses is a typical first step to economic success. Unlike many other immigrant groups which were able to use industrial employment and unions, or education, or public employment as their stepping-stone into American life, Arab Americans have historically looked at small businesses as

[39] See, Robert Zogby, Arab American Merchants and the Crisis of the Inner City, (1995), http://www.aaiusa.org/dr-zogby/entry/w040395/

the first rung of the economic ladder. Over 35% of Cleveland's recent immigrants are self-employed, usually in small, family-owned businesses.

But, what happens when long-established Arab nationalities get stuck mid-way up the ladder, while those newer arrivals in the same ethnic group has extremely high rates of poverty? If one looks no further than the 27% figure cited in the ADC decision, one might not realize that Arab Americans are not as advantaged as MBDA makes the group out to be. What may be markers of success for a recently arrived immigrant group – high rates of small business formation and entrepreneurship -- are also an indication of stalled social mobility for a nationality that's been established for more than a century.

Retail, restaurants, amusement industries and transportation have long been common entry-level occupations for the other immigrant groups in our study. The pattern that has emerged is that second generation immigrant children and native-born persons of Asian and Indian ancestry have generally succeed beyond their parents through higher education leading to entry into upper-income careers. Indeed, that is the stereotypical story of American life. That upward path to complete social assimilation and economic success has been traveled by a number of previous minority and ethnic immigrant groups, including the Germans, Irish, Jews, groups that are today classified as "White", and there are signs in recent decades that many Asians and Indians are succeeding at their own breakthroughs into the highest paid occupations and the very topmost strata of American society.

Arab Americans, however, even those with Top Tier income such as the Lebanese who have been here for multiple generations, appear to be stuck at the middle rungs of the ladder, where they continue to endure higher poverty rates and lower percentages of entry into the highest-paid occupations where the vast majority of business and personal capital is acquired. As a result, data shows us that nationals of Arab American Top tier countries continue to operate smaller, less profitable enterprises – corner "ma and pa" groceries, taxi or limo services, small import/export firms -- and find themselves in the same economic rungs as more recently-arrived nationals of Middle-Tier Asian countries such as Korea, the Indian Asian subcontinent countries, and Turkey.

Eight of the top 15 immigrant nationalities for business ownership today are Arab Americans. As the ACS 5-year estimate shows, below, that group includes the entire First Quintile of Arab American nationalities (Syria, Lebanon, Jordan) two Second Quint (Iraq, Egypt) plus Palestinians (an Arab category comingled with Israelis). By comparison, only one Asian nationality, Korea, a Tier Three Asian country, appears on this short list, along with Pakistan, which fits into Tier Two among the Indian Subcontinent group.

XV. Countries of birth with highest rates of business ownership

2010 ACS 5-year estimate

	Number busine owne	Number labor	Busin owners share labor
Greece	12.10	74.9	16
Israel/**Palestine**	**11.56**	**87.7**	**13**
Syria	**3.93**	**32.4**	**12**
Iran	25.28	213.7	12
Lebanon	**8.43**	**74.7**	**11**
Jordan	**3.90**	**36.3**	**11**
Italy	16.91	170.5	10
Korea	**56.07**	**573.2**	**10**
South Africa	5.17	56.2	9%
Ireland	5.71	69.5	8%
Iraq	**5.41**	**66.2**	**8%**
Pakistan	**13.59**	**166.5**	**8%**
Turkey	4.94	63.8	8%
Argentina	7.96	109.1	7%
Egypt/United	**5.56**	**81.3**	**7%**

[Source, Fiscal Policy Institute, Immigrant Small Business Owners (2012)

When we look at the incomes for these nationalities, we see that this group is (with Lebanon the one exception) all Quint 2 and 3 nationalities, very much weighted toward the middle income tiers. Clearly, high rates of small business ownership past the first couple of generations do not indicate any particular economic advantage or socially privileged status among immigrant groups in America. Instead, we would argue, the data shows it to be an indicator of relative disadvantage.

Overall Rank	Nationality	Median Income	Quintile (Global)
13.	Lebanese American :	$67,264[3]	1
36.	Egyptian American :	$62,812[3]	2
38.	Syrian American :	$62,637[3]	2
48.	Pakistani American :	$61,279[2]	2
73.	Arab American :	$56,433[3]	3

75.	Palestinian American :	$55,950[3]	3
87.	Korean American :	$53,154[2]	3
110.	Jordanian American :	$47,692[3]	4

XVI. - Arab American Immigrant Business Owners Lag in Earnings behind Native Born

As shown by EEOC statistics, minorities, as a whole, have made significant progress within the US economy and are considerably better represented as officials and managers in private sector during the last several decades[40], however, Arab Americans have not kept up with Asians and Indians. For instance, a recent study of immigrant occupations by the Fiscal Policy Institute (FPI)[41] shows that while 6 percent of longer established Indian immigrants in the United States operate small businesses, a very high percentage of Arab American immigrants -- most of these Arab small business owners are from long-established Quint 1 countries -- continue to operate small businesses. The FPI report observes:

> As immigrants develop roots and become more established in the United States, they become correspondingly more likely to own a business. Immigrants who have been here for over 10 years are more than twice as likely to be small business owners as those who have been here for 10 years or less. That is particularly true for some groups. For example, just 2 percent of more recently arrived immigrants from India are small business owners, while 9 percent of longer-established immigrants from India are small business owners.

Analyzing two Census Bureau data sources: the Survey of Business Owners (SBO), looking at businesses with between 1 and 99 employees; and the American Community Survey (ACS), looking at people who own an incorporated business and whose main job is running that business, the FPI report confirms that Arab Americans are twice as likely to operating small businesses than immigrants from India. Among the Asians, only Korean immigrants are among the top-tier of entrepreneurship.

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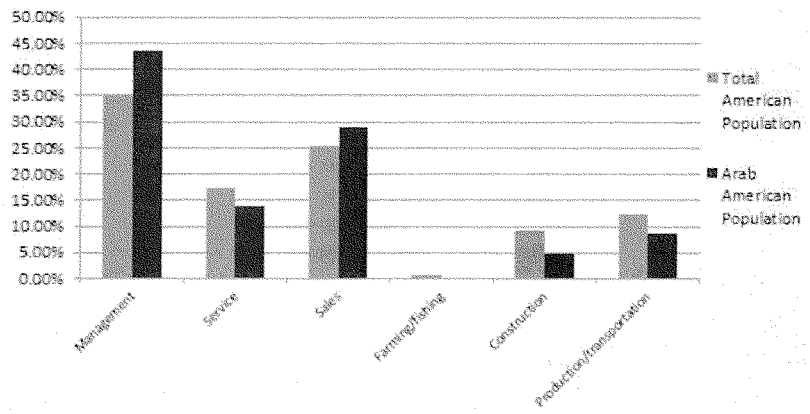
[40] See, EEOC, Employment Statistics / Job Patterns (EEO-1) / 2011 Job Patterns Indictators Over Time, http://www.eeoc.gov/eeoc/statistics/employment/jobpat-eeo1/2011/2011_indicators.cfm

[41] See, Fiscal Policy Institute, Immigrant Small Business Owners, A Significant and Growing Part of the Economy, (June, 2012),

The Census defines entrepreneurs as people who report themselves to be "self-employed" in their "own incorporated" or "non-incorporated business," "professional practice," or "farm." Sole proprietors and owners of the smallest firms sometimes self-describe as managers or executives, so there may be considerable overlap in the Census data between Arab Americans in the "sales" and "management" categories. As interpreted by the Arab American Institute (AAI), the Arab American occupational structure versus the total American population looks like this:[42]



While Arab American have high relative rates of ownership of small business, the median income for immigrants in retail trade is less than $40,000, and wholesale trade is $54,000 according to FPI. Median earnings in management and professional services for this group is $60,000.

Overall, the rate of business ownership for all Indian-born immigrants is six percent, but as the Table immediately below shows, the rates for Top Tier Arab American countries – Syria, Lebanon, Jordan – are twice that for Indians, a much larger percentage of whom find employment in generally higher-paying fields, such as computer software development.

[42] See, Arab American Institute, National Arab American Demographics, http://www.aaiusa.org/pages/demographics/

We also see from the ACS five-year estimate that median immigrant incomes in the industrial category for Information & Communications ($56,358) is closest to parity with native-born workers, at .93. The only industrial category where immigrant earnings exceed those for the native-born is in Educational, Health and Social Services, reflecting the very high earnings for immigrant medical professionals of all nationalities ($108,160), an industry in which immigrant Asian Americans, in particular, have excelled. In the category for retail trade, in which Arab American immigrants predominate, shows that median earnings are third from the bottom of the list, with the median earnings of $39,334 which is .83 of parity.

Table A. 25 Countries of birth with highest rates of business ownership

2012 FPI Report based in 2010 ACS 5-year estimate

	Number of business owners	Number in labor force	Business owners as a share of labor force
Greece	12,105	74,978	16%
Israel/Palestine	11,567	87,748	13%
Syria	3,932	32,479	12%
Iran	25,289	213,760	12%
Lebanon	8,432	74,747	11%
Jordan	3,908	36,304	11%
Italy	16,910	170,509	10%
Korea	56,073	573,202	10%
South Africa	5,175	56,201	9%
Ireland	5,713	69,547	8%
Iraq	5,414	66,264	8%
Pakistan	13,592	166,582	8%
Turkey	4,940	63,833	8%
Argentina	7,961	109,121	7%
Egypt/United Arab Rep.	5,564	81,313	7%
Taiwan	15,729	230,928	7%
England	13,524	205,093	7%
Cuba	35,769	554,356	6%
Venezuela	6,706	106,242	6%
Canada	27,648	444,091	6%
United Kingdom, ns	8,943	145,511	6%
Romania	6,267	102,813	6%
Poland	17,448	297,433	6%
India	62,526	1,093,220	6%

As the FPI study also points out, immigrant firms tend to be smaller and less profitable than native-owned competitors. Excerpts, below, from the Fiscal Policy Institute (FPI) study, Immigrant Small Business Owners, (2012).

Agriculture, Forestry, Fishing and Hunting	$38,482	.95	1.83
Mining	$71,508	.94	1.32

Construction	$45,571	.86	1.56
Manufacturing	$50,820	.85	1.57
Wholesale Trade	$54,000	.83	1.60
Retail Trade	$39,334	.83	1.40
Transportation & Warehousing	$39,600	.81	1.05
Information & Communications	$56,368	.93	0.95
Finance, Insur., Real Estate, Rental & Leasing	$60,762	.86	1.31
Professional, Scient., Mgmt, Admin & Waste	$60,000	.82	1.46
Educational, Health and Social Services	$108,160	1.08	2.70
Arts, Entertainment, Rec, Accomod, & Food	$40,000	.92	1.79
Other Services, Except Public Admin	$30,386	.76	1.25
TOTAL	**$48,609**	**.84**	**1.50**

TABLE B. Arab Americans Highly Concentrated in Small Business Ownership

Countries of birth with highest rates of business ownership

2010 ACS 5-year estimate

	Number busine owne	Number labor	Busin owners share labor
Greece	12.10	74.9	16
Israel/Palestine	11.56	87.7	13
Syria	**3.93**	**32.4**	**12**
Iran	25.28	213.7	12
Lebanon	**8.43**	**74.7**	**11**
Jordan	**3.90**	**36.3**	**11**
Italy	16.91	170.5	10
Korea	56.07	573.2	10
South Africa	5.17	56.2	9%
Ireland	5.71	69.5	8%
Iraq	**5.41**	**66.2**	**8%**
Pakistan	13.59	166.5	8%
Turkey	4.94	63.8	8%
Argentina	7.96	109.1	7%
Egypt/United	**5.56**	**81.3**	**7%**

XVII. Published Research Into Jobs Discrimination Against Arab American Professionals:

A. Jobs Discrimination Against Arab Americans Underreported

The popular conception of discrimination as a primarily race, religion or nationality-based concept does not fully encompass the subtler but more pervasive and underreported problem of ethnic prejudices faced by some minorities in the United States today, particularly Arab Americans.

The National Academy of Sciences (NAS) landmark study, *Measuring Racial Discrimination,* notes: [43]

> In most surveys, statistically reliable results are available only for whites and blacks, yet Hispanics and Asians are rapidly increasing their shares of the U.S. population, and Arabs and Muslims have recently become prominent as potential targets of prejudice. . . Questions need to be refined substantively as well as methodologically to capture subtle and not just explicit discrimination. . . In this regard, [citation omitted] find that projective measures of employment discrimination (e.g., rating the attitudes or opinions of others) are more valid than direct self-reports.

Like Hispanics, the prejudice faced by most Arab Americans is due not to apparent skin color as to unassimilated cultural differences within a predominantly white American population. However, unlike Hispanics, who are a recognized minority group in the U.S. Census and other formal categories of population measure such as EEOC discrimination data, Arab Americans lack their own distinct category as a minority group for which most large employers and institutions that do business with the federal government must provide data and compliance information intended to detect and prevent discriminatory hiring practices.

As a result, the reporting of complaints, along with the awareness of the problem of widespread employment discrimination against Arab Americans is registered less often than it is for minority groups with their own distinct identifying categories. As Widner and Chicoine recently found, the problem of discrimination against this particular

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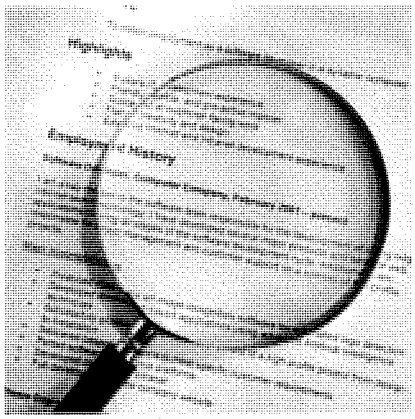
[43] See, Measuring Racial Discrimination, Chapter 11, "*Cumulative Disadvantage and Racial Discrimination,* (National Academy of Sciences Publications, 2005), p. 189 on .pdf set.

group goes along with a relative lack of systematic study of the employment aspect of their particular discrimination problem[44]:

> Previous research has documented the negative attention toward Arab Americans after 9/11 and the effect it has had on this community. However, less research has focused on discrimination against Arab Americans during the process of obtaining employment in the United States. To address this gap in the current literature, we conducted a correspondence study in which we randomly assigned a typical white-sounding name or a typical Arab-sounding name to two similar fictitious résumés. We sent résumés to 265 jobs over a 15-month period. We found that an Arab male applicant needed to send two résumés to every one résumé sent by a white male applicant to receive a callback for an interview by the hiring personnel.

B. Hiring Discrimination Against Resume Applicants with Arabic Names



The above-cited outcome supports similar results to an earlier study of discrimination against applicants with Arabic names and associations in resume-based recruitment by corporations in the U.S. and The Netherlands. Research published in 2009 indicates that this form of pre-employment screening discrimination operates on a subtler basis than overt discrimination, and instead manifested in perceptions by recruiters and HR managers in both countries

[44] See, Widner, D. and Chicoine, S. (2011), *It's All in the Name: Employment Discrimination Against Arab Americans*, Sociological Forum, (Wiley, 2011), It's All in the Name: Employment Discrimination Against Arab Americans1

about the suitability of Arabs for employment in public facing positions of varying complexity:[45]

> Individuals of Arab descent have increasingly experienced prejudice and employment discrimination. This study used the social identity paradigm to investigate whether greater Arab identification of applicants led to hiring discrimination and whether job characteristics and raters' prejudice moderated this effect. One hundred forty-one American and 153 Dutch participants rated résumés on job suitability. Résumés with Arab name and affiliations negatively influenced job suitability ratings . . . Within the Dutch sample job suitability rating of Arab applicants was lowest when Dutch raters' implicit prejudice was high . . . discrimination may operate in subtle ways, depending on the combined effect of applicant, job, and rater characteristics.

While indicating that further study is needed, these studies show that discrimination in hiring against persons with Arabic names may be more pervasive and insidious than might be indicated by traditionally self-reported racial discrimination and other forms of workplace complaints based in differences of race, sex, age, or sexual orientation. It appears that many Arabs may never complain because they don't even get to the interview stage, and cannot know by themselves, (much less fully document) that discrimination even occurred. This points out the need for wider investigation of this area of employment discrimination by anti-discrimination commissions in coordination with civil rights groups and attorneys. Underreporting is also a fact that favors recognition of Arab Americans as a discriminated group that warrants federal programs of assistance, including those of the MBDA.

Ethnic name-based discrimination is a particularly widespread, underreported and under-enforced practice. National origin and Arabic ethnicity, and imputed religion, are factors visible to recruiters, who reject certain categories of job applicants by discriminatory "resume sifting" practices. Because hiring for higher-paid positions frequently involves several stages of resume review process, professionals and other upper income occupations are most likely to be negatively impacted.

Another aspect of employment discrimination that hits Arab Americans particularly hard is the relatively low baseline of numbers of partners of that ethnicity at large U.S. law firms and corporations. At the very upper ends of the professions, hiring and promotions at major law firms, for instance, still follows "country club" practices where new members are carefully courted, promotions are largely internal rather than by lateral hiring, and hiring and promotion of associates tends to be matter of personal selection according to the whims and preferences of senior partners within the firm. Many studies have confirmed that unless challenged by a robust diversity program,

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[45] See, E. Derous, H.H. Nguyen, *"Hiring Discrimination against Arab minorities: Interactions between prejudice and job characteristics,"* Human Performance, (Vol. 22, Issue 4, 2009), Hiring discrimination against Arab minorities: Interactions between prejudice and job characteristics

partnership decisions remain largely a self-selection process that replicates existing ethnic patterns.

Recent data released by the National Association for Legal Career Professionals (NALP) shows that the percentage of minorities in equity partnership positions at US law firms surveyed is less than 3 percent:[46]

Table 1. Distribution of All Partners by Equity Status and Gender or Minority Status

Total partners	20,238
% equity	61.3%
% men equity	51.7%
% women equity	9.5%
% minority equity	2.9%
% non-equity	38.7%
% men non-equity	28.0%
% women non-equity	10.7%
% minority non-equity	3.2%

[Note: Figures are based on 317 offices/firms that have a tiered partnership and also reported information on equity and non-equity partner counts. A number of firms that otherwise reported information on an office-by-office basis reported the partnership information on a firm-wide basis. Minorities are also counted as men or women, hence percentages add to more than the total.]

The percentage of women in partnership positions is somewhat higher, but still less than 10 percent. Those figures must be compared to the minority and women US law school graduates, a measure which itself shows some declines in recent years for minorities entering the profession. *Corporate Counsel* reports:[47]

> According to the most recent statistics from the American Bar Association, minorities received 22.1 percent of all degrees awarded by U.S. law schools in 2009. By comparison, minorities made up about 36 percent of the total U.S. population in the 2010 census. (The peak year for minority law school graduates was 2007, when they made up 22.6 percent of all graduates.)

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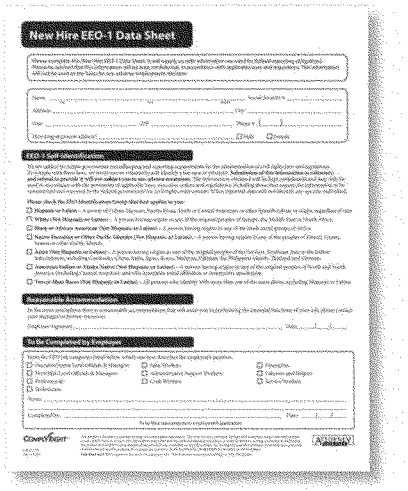
[46] Leipold, J.G. and Collins, J.N., *The Demographics of Equity, NALP Bulletin,* (Nov. 2011), Table 3, http://www.nalp.org/demographics_of_equity

[47] Karabin, S., *Workarounds*, Corporate Counsel (Mar. 1, 2012), http://www.law.com/jsp/cc/PubArticleFriendlyCC.jsp?id=1202541469625

C. Overlapping Categories and Gaps in EEOC Classification Hinder Employment Discrimination Actions Filed by Arab Americans


New Hire EEO-1 Data Sheet

Most U.S. firms with more than 100 employees are required by law to annually file the Form EEO-1 with the U.S. Equal Opportunity Employment Commission (EEOC). That reporting form entails enumeration of employees according to a set of four racial (White, Black and Asian, and mixed race), and four ethnic (Hispanic, Pacific Islander, Native Indian and Aleut) categories.

Revised EEO-1 Categories (2005)

- Hispanic or Latino – includes all employees who answer "Yes" to the question, are you Hispanic or Latino?
- White (not Hispanic or Latino)
- Black or African American (not Hispanic or Latino)
- Native Hawaiian or Other Pacific Islander (not Hispanic or Latino)
- Asian (not Hispanic or Latino)

- American Indian or Alaska Native (not Hispanic or Latino)
- Two or More Races (not Hispanic or Latino)

For years before 2005, when OMB finally revised the reporting form that had been in use essentially unchanged for decades, questions were raised about the efficacy of the existing categories on the EEO-1 as well as the Census that also omits a separate category for Arab American ethnicity. The National Academy of Sciences report *Measuring Racial Discrimination* provides the historical background to that controversy:[48]

> By the 1990 census, questions had been raised about the continued relevance of the 1977 standards. Many population changes had occurred since 1977, and the population of disadvantaged racial groups had grown considerably. In fact, the rate of population increase for blacks, American Indians, Eskimos, and Aleuts, as well as for Asians and Pacific Islanders, between 1980 and 1990 had been higher than the rate for the white population. In addition, questions began to be raised about how to enumerate race for children born of interracial unions. Statistical agencies had initiated research on the effects of differences in question wording and placement. **They believed research was required on how to define race and ethnicity, which labels to attach to the various categories, and what to do about the rising number of multiracial individuals. The issues addressed in that research were discussed widely with many population groups (e.g., Arabs, Cape Verdeans, Muslim West Asians, and Creoles) who wanted separate categories for population groups not yet included in the census categories and increased detail about countries of origin and languages used. These groups actively campaigned to add their categories to the census. Congressional hearings were held in 1993 (by the House Subcommittee on Census, Statistics, and Postal Personnel), and OMB decided to undertake a complete review of the 1977 standards.**

Of the changes sought, only the Native American, Aleut and mixed-race issues were addressed by changes in the form. Kezelian, who traces the OMB decision to continue to use the 1977 categories, Asia/Pacific was split into Asian and Pacific Islander. Despite other changes, the recommendation of an interagency committee was NOT to add a separate Arab/Middle Eastern category.[49]

Problems with federal classification of Arab Americans goes back to the broader problem of racial classifications associated with Chinese Exclusion Act of 1886. According to Kezelian:[50]

> Arab Americans had been legally considered white for naturalization purposes ever since *Dow v. U.S.* (1915) which declared "Syrians" to be white and *Ex parte Mohriez* (1944) which declared "Arabians" to be white. Before 1952, an immigrant had to be either a "free white person," according to the original immigration statute, or else African

[48] *Ibid.,* at 226.
[49] Kezelian, H., "Arab Minority Status", unpublished paper.
[50] *Ibid.*

in descent, in order to be naturalized as a citizen, but Asians and other races not contained within "white" or "black" were barred from becoming naturalized. In the 40s, "races native to the Western Hemisphere" was added. Arab Americans successfully argued in court that they were "white" and entitled to the right become naturalized. Now, in 1978, the peoples of the Middle East and North Africa were as a whole included as "white", not just for immigration but for all government purposes, starting with the census.

The problem of inadequate classification of Arab Americans is further compounded by the polyglot nature of discrimination according to present measures used by the EEOC and many state agencies seeking to measure and enforce existing anti-discrimination laws.

What is actually, in many cases, a generalized ethnic prejudice based in the victim's Middle Eastern or South Asian origin [51] – and, ethnic national origins discrimination is illegal -- nonetheless, EEOC enforces anti-discrimination laws largely based upon data from an employment reporting system that does not match up to specific categories of persons who might be discriminated against due to the factor of ethnicity.

Instead of providing accurate categories for ethnicities, the EEOC requires aggrieved parties to specify how the national origins, racial or religious categories apply, and document discriminatory activities within the four corners of those categories. EEOC thus enforces Federal law that ban certain enumerated categories of discriminatory employment practices, only those highlighted as follows are potentially relevant to establishing a case of ethnicity-based discrimination:

- harassment on the basis of **race, color, religion**, sex, **national origin**, disability, **genetic information**, or age;
- retaliation against an individual for filing a charge of discrimination, participating in an investigation, or opposing discriminatory practices;
- **employment decisions based on stereotypes or assumptions about the abilities, traits, or performance of individuals of a certain** sex, **race**, age, **religion, or ethnic group**, or individuals with disabilities, **or based on myths or assumptions about an individual's genetic information**; and
- **denying employment opportunities to a person because of marriage to, or association with, an individual of a particular race, religion, national origin,** or an individual with a disability. **Title VII also prohibits discrimination because of participation in schools or places of worship associated with a particular racial, ethnic, or religious group.**

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[51] This points out how Arab ethnicity is often mischaracterized as religion-based, when that is not an entirely common feature of the group discriminated against. Since the Middle East and South Asia is a region with many nation-states and religions, animus toward a particular nationality is also often not an identifiable factor appropriate for this category.

The purpose of the EEO-1 form is expressly "enforcement of civil rights laws". The Form Instructions provide the following notice to employees as to why data related to race and ethnicity is being gathered:

> "The employer is subject to certain governmental recordkeeping and reporting requirements for the administration of civil rights laws and regulations. In order to comply with these laws, the employer invites employees to voluntarily self-identify their race or ethnicity. Submission of this information is voluntary and refusal to provide it will not subject you to any adverse treatment. The information obtained will be kept confidential and may only be used in accordance with the provisions of applicable laws, executive orders, and regulations, including those that require the information to be summarized and reported to the federal government for civil rights enforcement. When reported, data will not identify any specific individual."

It is therefore peculiar that the categories of ethnicity often reporting discrimination should be omitted in the federal government's principal data reporting instrument. The categories of racial and ethnic types reported on the EEO-1 are changed by agency rulemaking, and EEOC may change this form without Congressional authorization. See, 2005 changes to current form.

Furthermore, the specified types of discrimination specifically banned by the Civil Rights Act and related laws that potentially apply to Arabic ethnics – discrimination based upon religion, national origin, race, color, genetic information -- may or may not apply in a specific instance of employment discrimination. That creates a major gap in reporting and enforcement, a hole in the regulations that allow many cases of ethic discrimination to go either unreported or inadequately undocumented, which may amount to the same thing – unfair enforcement of the Act.

The EEOC system thus creates a situation where a particular category of victims cannot readily document employment discrimination based upon existing categories of data normal EEOC reporting picks up on the Form EO-1. This allows mid-size and large employers to discriminate with less chance of detection or enforcement action, a situation that can be remedied by agency rulemaking.

The peculiar omission of a category for (non-Hispanic, non-Pacific Island, non-Native American, non-Aleutian) ethnics seems to be based in a system that ignores immigrant groups. There are more than 1.7 million Arab Americans whose arrival began no later than 1854 – yet, like Creoles, and some other sizable, long established ethnic groups, there is no distinct EEOC reporting category that applies to them.

The decision to omit these ethnic groups seeking recognition may have been grounded, itself, in ethnic prejudices or an overly-narrow conception of relevance to include only discrimination against ethnic groups present inside the territory of the United States and its possessions before the U.S., itself, achieved national statehood. The reasoning behind that is not clear.

This lack of reporting of major ethnic groups handicaps enforcement of the 1964 Civil Rights Act. It may also force some Arab Americans to document discrimination according to false categories of proof, frustrating many efforts at detecting and obtaining successful enforcement actions against employers who carry out ethnic discrimination. In legal statistics, this might be identified as a problem involving a "Type II error." This type of miscategorization problem (squeezing the facts into overly narrow but overlapping categories) can be seen in the following excerpts, case citations and examples given in the EEOC Compliance Manual:[52]

> Title VII's prohibition against religious discrimination may overlap with Title VII's prohibitions against discrimination based on national origin, race, and color. Where a given religion is strongly associated – or perceived to be associated – with a certain national origin, the same facts may state a claim of both religious and national origin discrimination.[212] All four bases might be implicated where, for example, co-workers target a dark-skinned Muslim employee from Saudi Arabia for harassment because of his religion, national origin, race, and/or color.[213]
>
> [212] *EEOC v. WC&M Enter., Inc.*, 496 F.3d 393 (5th Cir. 2007) (evidence was sufficient for employee to proceed to trial on claim that he was subjected to hostile work environment harassment based on both religion and national origin where harassment motivated both by his being a practicing Muslim and by having been born in India); *Vitug v. Multistate Tax Comm'n*, 88 F.3d 506, 515 (7th Cir. 1996) (Catholic Filipino employee made out a prima facie case of national origin and religious discrimination, although he did not prevail on the merits).
>
> [213] *Raad v. Fairbanks N. Star Borough Sch.*, 323 F.3d 1185 (9th Cir. 2003) (employer's summary judgment motion denied on Lebanese Muslim substitute school teacher's discrimination claim because a reasonable jury could conclude that preconceptions about her religion and national origin caused school officials to misinterpret her comment that she was angry but did not want to "blow up"); *Tolani v. Upper Southampton Township,* 158 F. Supp. 2d 593 (E.D. Pa. 2001) (employee from India who was Asian stated a claim of discriminatory discharge based on race, religion and national origin because employer mocked the way Indian people worship).

Large Law firms and other professional corporations are likely to have sophisticated hiring, personnel and promotions policies in place that avoid the grosser kinds of overt discrimination, illustrated above, which might trigger an EEOC enforcement action. The EEOC Compliance Manual includes the following example of such easily avoidable sorts of discriminatory practices:

> EXAMPLE 1
>
> Employment Decisions Based on "Religion"
>
> An otherwise qualified applicant is not hired because he is a self-described evangelical Christian. A qualified non-Jewish employee is denied promotion because the supervisor wishes to give a preference based on religion to a fellow Jewish employee. An employer terminates an employee based on his disclosure to the employer that he has recently converted to the Baha'i Faith. Each of these is an example of an employment decision

[52] See, EEOC Compliance Manual, Section 12, http://www.eeoc.gov/policy/docs/religion.html#_Toc203359548

based on the religious affiliation of the applicant or employee, and therefore is based on "religion" within the meaning of Title VII.

D. National Origin Discrimination – Categorical Recognition of Arab Ethnicity, but a "Mixed Motives" Loophole Limits Potential Ethnicity-based Discrimination Awards

Section 13 of the Manual, outlining the Commission's approach to nationality-based claims, offers a more promising approach to recognition of claims on the basis of Arab ethnicity or Middle Eastern/South Asian area origins than the preceding section. Subsection 13-11, addresses the question, "What is National Origin Discrimination?" as follows[53]

> Title VII prohibits discrimination against a person because he or she is associated with an individual of a particular national origin.[17]
>
> A. Employment Discrimination Based on Place of Origin
>
> National origin discrimination includes discrimination because a person (or his or her ancestors) comes from a particular place. The place is usually a country or a former country, for example, Colombia or Serbia. In some cases, the place has never been a country, but is closely associated with a group of people who share a common language, culture, ancestry, and/or other similar social characteristics, for example, Kurdistan.
>
> B. Employment Discrimination Against a National Origin Group
>
> A "national origin group," often referred to as an "ethnic group," is a group of people sharing a common language, culture, ancestry, and/or other similar social characteristics.[18] Title VII prohibits employment discrimination against any national origin group, including larger ethnic groups, such as Hispanics and Arabs, and smaller ethnic groups, such as Kurds or Roma (Gypsies).[19] National origin discrimination includes discrimination against American Indians or members of a particular tribe.[20]
>
> Employment discrimination against a national origin group includes discrimination based on:
>
> - **Ethnicity: Employment discrimination against members of an ethnic group, for example, discrimination against someone because he is Arab. [emphasis added]** National origin discrimination also includes discrimination against anyone who does *not* belong to a particular ethnic group, for example, less favorable treatment of anyone who is not Hispanic.

[53] See, http://www.eeoc.gov/policy/docs/national-origin.html

- **Physical, linguistic, or cultural traits:** Employment discrimination against an individual because she has physical, linguistic, and/or cultural characteristics closely associated with a national origin group, for example, discrimination against someone based on her traditional African style of dress.[21]
- **Perception:** Employment discrimination against an individual based on the employer's belief that he is a member of a particular national origin group, **for example, discrimination against someone perceived as being Arab based on his speech, mannerisms, and appearance, regardless of how he identifies himself or whether he is, in fact, of Arab ethnicity.**

C. Related Forms of Discrimination Prohibited by Title VII

Title VII's prohibition against national origin discrimination often overlaps with the statute's prohibitions against discrimination based on race or religion. The same set of facts may state a claim of national origin discrimination and religious discrimination when a particular religion is strongly associated, or perceived to be associated, with a specific national origin.[22] Similarly, discrimination based on physical traits or ancestry may be both national origin and racial discrimination. If a claim presents overlapping bases of discrimination prohibited by Title VII, each of the pertinent bases should be asserted in the charge.

Relevant case examples offered at that Section to illustrate national origins discrimination in hiring and promotions include the following:

Customer Preference

In addition, employers may not rely on coworker, customer, or client discomfort or preference as the basis for a discriminatory action. If an employer takes an action based on the discriminatory preferences of others, the employer is also discriminating.

EXAMPLE **4**
EMPLOYMENT DECISION BASED ON CUSTOMER PREFERENCE

Alexi, a Serbian-American college student, applies to work as a cashier at a suburban XYZ Discount store. Although Alexi speaks fluent English, the manager who conducts the routine interview comments about his name and noticeable accent, observing that XYZ's customers prize its "all-American image." Alexi is not hired. XYZ has subjected Alexi to unlawful national origin discrimination if it based the hiring decision on assumptions that customers would have negative perceptions about Alexi's ethnicity.

Assignment

Employers may not assign applicants or employees to certain positions based on national origin.[28]

EXAMPLE **5**
UNLAWFUL ASSIGNMENT BASED ON NATIONAL ORIGIN

XYZ Pizza Palace decides to open a restaurant at a suburban shopping mall. It runs an advertisement in local newspapers recruiting for positions in food preparation, serving, and cleaning. Carlos, an Hispanic man with a few years of experience as a server at other restaurants, applies for a position with XYZ and states a preference for a server position. Believing that Hispanic employees would be better suited for positions with limited public contact at this location, XYZ offers Carlos a position in cleaning or food preparation even though he is as well qualified for a server position as many non-Hispanic servers employed by XYZ. Under the circumstances, XYZ has unlawfully assigned Carlos to a position based on his national origin.

Similarly, employers may not limit promotional opportunities based on national origin.

EXAMPLE 6
UNLAWFUL LIMITATION OF PROMOTIONAL OPPORTUNITIES BASED ON NATIONAL ORIGIN

Raj, who is Indian, is a computer programmer for XYZ Information Technology Consultants. Raj applies for a slot in XYZ's management development program and is rejected. Raj files an EEOC charge alleging that the rejection was based on his national origin. The employer states that Raj was not selected because he was not as qualified as other applicants. The investigation reveals that, based on XYZ's written criteria, Raj had superior qualifications to three non-Indian candidates selected for the program. The investigation also reveals that since XYZ initiated the management program, only one out of the fifteen candidates selected for the program has been South Asian, even though nearly one-third of the applicants and nearly one-half of the programming staff are South Asian. The evidence establishes that XYZ unlawfully rejected Raj for its management program based on his national origin.

Mixed-Motives Cases

While the national origins category offers recognition of the elusive ethnic discrimination category and injunctive relief under the Commission's enforcement of Title VII, at the same time the 1991 Act severely limited the range and effective amount of money damage awards that individual victims can obtain through law suits in many cases. The Act created an exception to compensatory and punitive damages where the defendant company can show that it had "mixed motives" in discriminatory hiring, pay, promotions or discharges.

Employment decisions that are motivated by *both* national origin discrimination and legitimate business reasons violate Title VII. However, remedies in such "mixed-motives" cases are limited if the employer would have taken the same action even if it had not relied on national origin. The charging party may receive injunctive relief and attorney's fees but is not entitled to reinstatement, back pay, or compensatory or punitive damages.[29]

EXAMPLE 7
MIXED MOTIVES: LIMITATIONS ON REMEDIES

Jane, a Chinese-American, was hired to fill a temporary position as an assistant professor of philosophy at a major private university. Several years later, she was rejected for a permanent position in the Philosophy Department. A colleague tells Jane that at the board meeting at which the permanent position and the relative qualifications of the candidates were discussed, the Department Chair, one of the five people on the hiring committee for the position, stated, "I don't care how brilliant she is - one Asian in the Department is enough." Jane files an EEOC charge alleging national origin discrimination based on this evidence.

The EEOC investigation reveals that the Department Chair did, in fact, make the reported statement and that the other hiring committee members generally defer to his hiring recommendations. The investigation also reveals that Jane was less qualified than the selectee. The selectee had numerous well-received publications and lectures recently, but Jane had only published one academic article in three years and had not spoken at conferences in her field. Because the evidence establishes that the university would have made the same decision even absent discrimination, Jane is entitled to injunctive relief and attorney's fees, but not instatement, back pay, or compensatory or punitive damages.

The limitation on awards for "mixed motive" discrimination offers firms and corporations another major loophole that seriously compromises the remedial potential of the 1991 Amendment to the Act that authorized jury awards in civil actions for employment discrimination cases

Thus, all that an employer needs to do to escape compensatory or punitive damages for national origins discrimination is to offer proof that there is some other objective, reasonable basis for its decision to preferentially hire or promote others. For instance, a law firm that has a pattern of discriminatory promotions of minority associates would merely need to show that the white male Associate X generated a greater number of dollars of revenue while Associate Y, an Arab American, was not offered equity partnership because his revenues were inferior.

However, the courts have interpreted the exception to mean that the alternative basis cited for the decision was itself legitimate and free of prejudice. For instance, upon discovery it is determined that Associate Y was not put in charge of the largest revenue-generating client account because of the expressed preference of that client for a non-Arabic lead attorney. The prejudice of the client cannot itself form the basis for defense against a discrimination charge, the fact that Attorney Y generated objectively less revenues as result of prejudice, which should prompt the court to award compensatory and punitive damages if it finds the discrimination was intentional.

E. Statutory Caps on Compensatory and Punitive Damages in Title VII Awards - $300,000 award limit inadequate deterrent

Another major drawback to Title VII actions[54] are the statutory upper limits placed on the award of compensatory and punitive damages in discrimination cases brought under the 1964 Act. The 1991 Amendment set exclusions on compensatory awards and limits on punitive damages that can only be described as so ungenerous and insubstantial – the combined top limit for both is a mere $300,000 per person aggrieved by a large company -- that they barely present a serious hindrance to the discriminatory employment preferences of firms that are so inclined by the steadfast prejudice of their top management.

This is a problem that is most likely to manifest in privately-held firms and Limited Liability Partnerships, where there is no consideration of the equity and fiduciary interests of outside shareholders.[55] Small firms of less than 14 employees are altogether exempt from Title VII enforcement.

Section 1981(a) of Title VII, as amended, states:[56]

(b) **Compensatory and punitive damages**

(1) **Determination of punitive damages**

A complaining party may recover punitive damages under this section against a respondent (other than a government, government agency or political subdivision) if the complaining party demonstrates that the respondent engaged in a discriminatory practice or discriminatory practices with malice or with reckless indifference to the federally protected rights of an aggrieved individual.

(2) **Exclusions from compensatory damages**

Compensatory damages awarded under this section shall not include backpay, interest on backpay, or any other type of relief authorized under section 706(g) of the Civil Rights Act of 1964 [42 U.S.C. 2000e–5 (g)].

(3) **Limitations**

The sum of the amount of compensatory damages awarded under this section for future pecuniary losses, emotional pain, suffering, inconvenience, mental anguish, loss of enjoyment of life, and other nonpecuniary losses, and the amount of punitive damages awarded under this section, shall not exceed, for each complaining party—

[54] The Civil Rights Act of 1964 is Pub. L. 88–352, July 2, 1964, 78 Stat. 241, as amended. Title VII of the Act is classified generally to subchapter VI (§ 2000e et seq.) of this chapter.

[55] Publicly-listed companies that engage in discrimination, particularly willful discrimination, would also be subject to shareholder suits and potential enforcement action by the SEC as a known undisclosed compliance risk under Sarbanes-Oxley and similar public corporation anti-corruption laws.

[56] USC Title 42 Chapter 21 Subchapter I › §1981a, http://www.law.cornell.edu/uscode/text/42/1981a

(A) in the case of a respondent who has more than 14 and fewer than 101 employees in each of 20 or more calendar weeks in the current or preceding calendar year, $50,000;

(B) in the case of a respondent who has more than 100 and fewer than 201 employees in each of 20 or more calendar weeks in the current or preceding calendar year, $100,000; and

(C) in the case of a respondent who has more than 200 and fewer than 501 employees in each of 20 or more calendar weeks in the current or preceding calendar year, $200,000; and

(D) in the case of a respondent who has more than 500 employees in each of 20 or more calendar weeks in the current or preceding calendar year, $300,000.

F. Burden Shifting in "Mixed-Motive" Discrimination Cases

While defendant corporations and firms may raise the "mixed-motive" defense to avoid paying compensatory and punitive damages, altogether, the burden of evidence in Title VII cases generally favors the plaintiff. The two-prong mixed-motive case requires the employee to demonstrate that a protected characteristic (e.g., race, sex, national origin, ethnicity) was a substantial factor in an employer's adverse action. If that is established, the employer then has the burden of proving that the decision would have been made in any event, regardless of the employee's protected characteristic.

In essence, under the mixed-motive discrimination standard established by *Price Waterhouse v. Hopkins*, 490 U.S. 228 (1989), a Title VII sex discrimination case in which the plaintiff alleged that both permissible and impermissible considerations played a part in her failure to make partner. In such a mixed-motive situation, the U.S. Supreme Court reasoned, if a plaintiff can show that unlawful discrimination plays a motivating or substantial factor in the employment decision at issue, the burden of persuasion shifts to the employer to prove that it would have made the same adverse decision regardless of the discriminatory factor.

Unlike age discrimination suits brought under ADEA, a plaintiff bringing a claim under Title VII does not need to show by a preponderance of the evidence that ethnicity was the "but for" cause of the employer's adverse employment decision, and an employer must prove that it would have made the same decision regardless of national origins. The employee need only produce some evidence that ethnic discrimination may have been a contributing factor in the decision. Thus, the burden-shifting framework in mixed motive Title VII cases applies to nationality, whereas the U.S. Supreme Court found in 2009 it does not extend to age discrimination claims under the Age Discrimination in Employment Act (ADEA), a different statute, in a 5-4 decision delivered by Justice Clarence Thomas, *Gross v. FBL Financial Services, Inc.*

The Supreme Court reached a similar decision favoring employers in age and gender discrimination suits in the notorious *Lilly Ledbedder* decision, strictly construing the 180-day filing requirement, the effect of which for equal pay purposes was overturned by Act of Congress in 2009. In *Ledbetter v. Goodyear Tire & Rubber Co.*, 550 U.S. 618 (2007), a (5-4) decision, Justice Alito held for the majority that employers cannot be sued under Title VII of the Civil Rights Act over race or gender pay discrimination if the claims are based on decisions made by the employer 180 days or more previously. The Lilly Ledbetter Fair Pay Act of 2009 was the first legislation President Barack Obama signed into law on January 29, 2009. The bill amends the Civil Rights Act of 1964 stating that the 180-day statute of limitations for filing an equal-pay lawsuit regarding pay discrimination resets with each new discriminatory paycheck.

In Title VII cases where there is a corresponding State or local anti-discrimination statute, that period is extended out to 300 days.

G. "Section 1981" Claims – The Alternative to Title VII for Obtaining Compensatory and Punitive Damages in Cases of Ethnic Discrimination Against Arab Americans

Title VII of the 1964 Civil Rights Act is not the only statute that opens the federal courts to Arab Americans who suffer employment discrimination due to racial or ethnic animus.[57] Section 1981 of the Civil Rights Act of 1866, 42USC Sec. 1981 ("Section 1981") provides in most relevant part:

> (a) Statement of equal rights
>
> All persons within the jurisdiction of the United States shall have the same right in every State and Territory to make and enforce contracts, to sue, be parties, give evidence, and to the full and equal benefit of all laws and proceedings for the security of persons and property as is enjoyed by white citizens, and shall be subject to like punishment, pains, penalties, taxes, licenses, and exactions of every kind, and to no other.
>
> (b) "Make and enforce contracts" defined
>
> For purposes of this section, the term "make and enforce contracts" includes the making, performance, modification, and termination of contracts, and the enjoyment of all benefits, privileges, terms, and conditions of the contractual relationship.
>
> (c) Protection against impairment

[57] See, generally, Friedman, L., Relationship Between TITLE VII, TITLE VI, SECTION 1981, 1983, ADEA, ADA,The Equal Pay Act and State Causes of Action for Employment Discrimination, http://files.ali-aba.org/thumbs/datastorage/skoobesruoc/pdf/02FriedmanRelatlionshCG083_thumb.pdf

> The rights protected by this section are protected against impairment by nongovernmental discrimination and impairment under color of State law.

As illustrated in the *Ledbetter* case, a serious problem that often arises in Title VII cases is the comparatively short statute of limitations that apply under that Act compared to the standard 4 years limit in most federal civil limitation. The period allowed for filing a Title VII discrimination complaint can be as short as 180 days from the date the discrimination occurred. Often the discriminatory act is not discovered and reported to EEOC during that period, which effectively nullifies enforcement action.

In addition, as Tarantolo points out[58], Title VII protection is dependent upon the existence of an employer-employee relationship, and employers of contract workers (contingent workers) have been held to be not subject to Title VII, thus Sec. 1981 protections better meet their needs.

Another problem with Title VII claims is that they depend upon the concurrence of a Commission panel to find that a *prima facie* case of recognizable discrimination occurred. Under Section 1981, a protected group member plaintiff can go directly to U.S. District Court which will make that ruling along with the merits of the case and damages.

As has already been explained above, Title VII contains a number of exemptions and limits on awards, including a "mixed motives" clause used by many employers to escape paying compensatory and punitive damages that would be otherwise awarded in a civil judgment under Section 1981.

A Section 1981 discrimination suit may also be pressed against any party that unlawfully denies the right to contract – which includes contractors and potential partners, as well as discriminatory employment action in hiring, pay and benefits, promotions, tenure, retirement -- of any member of a protected racial or ethnic group on account of their protected status.

H. Arab Americans are a protected group under Section 1981 recognized under U.S. Supreme Court decision.

The scope of the recognized groups protected under the Civil Rights Act of 1868 has been extended to include Arab Americans. In *Saint Francis College et al. v. Al-*

[58] Tarantolo, D., *"From Employment to Contract: Section 1981 ond Antdiscrimination Law for the Independent Contractor Workforce"*, Yale Law Journal (116:170, 2006) , http://www.yalelawjournal.org/pdf/116-1/Tarantolo.pdf

Khazraji, 481 US 604 (1987)[59] the Court considered the Section 1981 claim of a Respondent professor, a United States citizen born in Iraq, filed suit in Federal District Court against petitioners, his former employer and its tenure committee, alleging that, by denying him tenure nearly three years before, they had discriminated against him on the basis of his Arabian race in violation of 42 U.S.C. 1981.

The decision is notable in several ways. It found that discrimination on account of Arab ethnicity is a form of racial discrimination within the meaning of Section 1981. Thus, as the respondent proved that he was subjected to intentional discrimination based on the fact that he was born an Arab, rather than solely on the place or nation of his origin or his religion, he made out a 1981 case. Pp. 609-613. 784 F.2d 505, affirmed.

In addition, it should be noted, the respondent was supported in his action to the U.S. Supreme Court by briefs of *amici curiae* urging affirmance filed for the American-Arab Anti-Discrimination Committee; the Anti-Defamation League of B'nai B'rith et al.; and by the Mexican American Legal Defense and Educational Fund et al., as each of these groups recognize the significance of the case for their own protected status under Section 1981. Indeed, there was a companion case handed down the same day with a similar holding regarding the effects of Jewish ethnicity under Sec. 1981, Shaare Tefila v Cobb, 481 U.S. 615 (1987).

Jews in Shaare Tefila, like the Arab repondent in Al Khazraji, the Court held are considered not a separate race by modern standards but are nonetheless a group of people whom Congress intended to protect in passage of the 1868 Civil Rights Act. Jews and Arabs were among the peoples considered in the 1860s as "distinct races" and within the protection of the statute. Jews and Arabs are therefore not foreclosed from stating a cause of action against other members of what today is considered to be part of the Caucasian race.

The unanimous Al Khazraji decision written by Justice White held with the Court of Appeals in the following:

> [R]espondent had alleged discrimination based on race and that although under current racial classifications Arabs are Caucasians, respondent could maintain his 1981 claim. 2 Congress, when it passed what is now 1981, had not limited its protections to those who today would be considered members of a race different from the race of the defendant. Rather, the legislative history of the section indicated that Congress intended to embrace "at the least, membership in a group that is ethnically and physiognomically distinctive." 784 F.2d 505, 517 (1986). Section 1981, "at a minimum," reaches "discrimination directed against an individual because he or she is genetically part of an ethnically and physiognomically distinctive sub-grouping of homo sapiens." Ibid.

The Court's decision also clearly states that discrimination against Arab Americans is forbidden not because of any visibly racial characteristic, but because they are among those ethnic immigrant groups subject to discrimination. The 1868 Civil Rights Act was intended to cover all immigrant groups with their own distinct ethnicity.

[59] See, http://caselaw.lp.findlaw.com/cgi-bin/getcase.pl?court=us&vol=481&invol=604

In tracing the original intent of Congress in passing Section 1981, White observes the following:

> The history of the 1870 Act reflects similar understanding of what groups Congress intended to protect from intentional [481 U.S. 604, 613] discrimination. It is clear, for example, that the civil rights sections of the 1870 Act provided protection for immigrant groups such as the Chinese. This view was expressed in the Senate. Cong. Globe, 41st Cong., 2d Sess., 1536, 3658, 3808 (1870). In the House, Representative Bingham described 16 of the Act, part of the authority for 1981, as declaring "that the States shall not hereafter discriminate against the immigrant from China and in favor of the immigrant from Prussia, nor against the immigrant from France and in favor of the immigrant from Ireland." Id., at 3871.
>
> Based on the history of 1981, we have little trouble in concluding that Congress intended to protect from discrimination identifiable classes of persons who are subjected to intentional discrimination solely because of their ancestry or ethnic characteristics. Such discrimination is racial discrimination that Congress intended 1981 to forbid, whether or not it would be classified as racial in terms of modern scientific theory. 5 The Court of Appeals was thus quite right in holding that 1981, "at a minimum," reaches discrimination against an individual "because he or she is genetically part of an ethnically and physiognomically distinctive subgrouping of homo sapiens." **It is clear from our holding, however, that a distinctive physiognomy is not essential to qualify for 1981 protection. [emphasis added]**

The logic of the *St. Francis* decision suggests that all forms of economic discrimination against members of distinct ethnic immigrant groups is forbidden by the 1868 Civil Rights Act -- and that extends to all immigrant groups who can show a distinct ethnicity that are the subject of discrimination, rather than solely on the place or nation of origin or religion alone – and they can make out a 1981 case. Furthermore, since Section 1981 protection extends to "all persons within the jurisdiction of the United States", which includes ethnic immigrants and nonimmigrants, alike, who are equally entitled "to the full and equal benefit of all laws and proceedings for the security of persons and property as is enjoyed by white citizens, and shall be subject to like punishment, pains, penalties, taxes, licenses, and exactions of every kind, and to no other", there is yet another important implication that follows.

Finally, since the anti-discrimination provisions of the 1868 Civil Rights Act has been held by the courts to extend to the Federal Government as well as to the States and private persons, it follows from the plain language of the statute that no federal agency may discriminate in contracting and permitting matters in a way that prejudices immigrants and non-immigrants who are members of these distinct ethnic groups, such as Arab Americans. These aggrieved parties may go to federal court and seek injunction and damages for the actions of federal personnel who discriminate against them with real or potential economic effect for improper reasons. The Federal Torts

Claims Act (FTCA) allows suits against federal agencies for discriminatory contracting or enforcement. The bottom-line of this is to forbid federal agencies and personnel from practices such as ethnic profiling and preferential contracting for U.S. Citizens.

The FTCA waives the sovereign immunity of the United States to permit claims for damages based on acts or omissions of federal employees within the scope of their employment. Generally, but with important exceptions, the FTCA makes the United States liable for tortious acts to the same extent that a private individual would be liable under state law. Civil Division attorneys defend FTCA cases involving allegations of discrimination other than federal hiring, which is under the statutory jurisdiction of the EEOC. Before an FTCA suit can be filed in federal court, an administrative claim must be filed with the federal agency involved, if such an administrative redress mechanism exists.

There are, of course, exceptions to Sec. 1981 coverage for the federal government. The United States may continue to discriminate according to national origins in its exercise of its powers over national defense and foreign policy. Under the Civil Service Reform Act (CSRA) federal employment protections specifically were exempted for the Department of Defense, intelligence agencies, and federal law enforcement. In addition, other federal, state, and local governments are not altogether barred from imposing citizenship requirements for hiring, but these have been limited in a series of court decisions to discrimination with rational bases.

Furthermore, agencies of the federal government undeniably give preference to U.S. Citizens over non-U.S. persons for the awarding of contracts and licenses, but unless there is a rational basis such as national security, that as well appears to be barred under Section 1981.

I. Inadequate Past MBDA Action to Address Discrimination Against Arab Americans

In addition, among the federal agencies set up to address overcoming the problems of discrimination and minority business development, the US Department of Commerce Minority Business Development Agency (MBDA) does not visibly address discrimination against Arab Americans in their public documents. A search of the MBDA website conducted in March, http://www.mbda.gov/ revealed no documents referencing the terms: "Sec. 1981", "ethnic discrimination", "nationality", or "Arab". The term "Indian", however returned at least 60 references in the site's search engine.

J. Where Not Otherwise Proscribed by Law, Private Enforcement Action Complements Administrative Mechanisms to Correct Federal Discrimination Against Minorities

In some areas, such as federal employment, Congress has created certain administrative remedies for discrimination complaints, and the courts have upheld that their availability effectively voids Section 1981 relief through the courts. The U.S. Supreme Court found that in the context of federal employment that Sec. 1861 relief would not apply, and held in *Brown v. General Servs. Admin.*, 425 U.S. 820, 834-35, 96 S.Ct. 1961, 1969, 48 L.Ed.2d 402 (1976) that Congress had expressly intended that the "carefully constructed" administrative and judicial processes for federal employment discrimination cases described in Chapter 717 of Title VII to be the sole available remedy:[60]

> [While] federal employment discrimination clearly violated both the Constitution, *Bolling v. Sharpe,* 347 U. S. 497 (1954), and statutory law, 5 U.S.C. § 7151, before passage of the 1972 Act . . .
>
> *Held:* Section 717 [of Title VII] provides the exclusive judicial remedy for claims of discrimination in federal employment, and, since petitioner failed to file a timely complaint under § 717(c), the District Court properly dismissed his complaint. Pp. 425 U. S. 824-835.
>
> (a) The legislative history indicates that Congress, which was persuaded that federal employees who were treated discriminatorily had no effective judicial remedy, intended by the 1972 legislation to create an exclusive, preemptive administrative scheme for the redress of federal employment discrimination. Pp. 425 U. S. 824-829.

Nonetheless, that decision notes Brown's citation of decisions that hold, as a general matter – absent such expressed Congressional intent to the contrary – Title VII and Sec. 1981 continue to coexist and complement each other in addressing other areas of discrimination. The Federal Civil Service laws offer a scheme for review of adverse employment decisions is a type of "narrowly tailored employee compensation scheme" that the Court held "pre-empts the more general tort recovery statutes." [834-35] Indeed, the Court acknowledges in its discussion in *Brown* that it had just held such in its previous term, Congress intended that Title VII and Sec. 1981 continue to complement each other, and the Court has never ruled that the federal government action is altogether outside the scope of Sec. 1981:

[60] See, http://supreme.justia.com/cases/federal/us/425/820/

> The petitioner relies upon our decision *Johnson v. Railway Express Agency,* 421 U. S. 454 (1975), for the proposition that Title VII did not repeal preexisting remedies for employment discrimination. In *Johnson,* the Court held that, in the context of private employment, Title VII did not preempt other remedies. But that decision is inapposite here. In the first place, there were no problems of sovereign immunity in the context of the *Johnson* case. Second, the holding in *Johnson* rested upon the explicit legislative history of the 1964 Act which
>
> "'manifests a congressional intent to allow an individual to pursue independently his rights under both Title VII and other applicable state and federal statutes.'"
>
> 421 U.S. at 421 U. S. 459, quoting *Alexander v. Gardner-Denver Co.,* 415 U. S. 36, 415 U. S. 48 (1974). Congress made clear
>
> "'that the remedies available to the individual under Title VII are coextensive with the indiv[i]dual's right to sue under the provisions of the Civil Rights Act of 1866, 42 U.S.C. § 1981, and that the two procedures augment each other and are not mutually exclusive.'"
>
> 421 U.S. at 421 U. S. 459, quoting H.R.Rep. No. 92-238, p. 19 (1971). *See also Jones v. Alfred H. Mayer Co.,* 392 U. S. 409, 392 U. S. 415-417 (1968). There is no such legislative history behind the 1972 amendments. Indeed, as indicated above, the congressional understanding was precisely to the contrary.

Section 1981 and Section 1983 also act in tandem. On their faces, Title 42 U.S.C. Sections 1981 and 1983 only provide a cause of action against state actors and 1981 is further limited to private persons. However, the right to sue federal officials under 1983 was recognized at common law in *Bivens v. Six Unknown Named Agents*, 403 U.S. 388 (1971). While in recent years, the right to bring *Bivens* actions has been limited, there is no inherent reason why a federal agency official could not be sued under both Civil Rights Sections, and Title VII, in the same action.

Section 1983 provides[61]:

> Every person who, under color of any statute, ordinance, regulation, custom, or usage, of any State or Territory or the District of Columbia, subjects, or causes to be subjected, any citizen of the United States **or other person within the jurisdiction thereof to the deprivation of any rights, privileges, or immunities secured by the Constitution and laws, shall be liable to the party injured in an action at law**, suit in equity, or other proper proceeding for redress, except that in any action brought against a judicial officer for an act or omission taken in such officer's judicial capacity, injunctive relief shall not be granted unless a declaratory decree was violated or declaratory relief was unavailable. For the purposes of this section, any Act of Congress applicable exclusively to the District of Columbia shall be considered to be a statute of the District of Columbia.

[61] §1983, Title 42 › Chapter 21 › Subchapter I › § 1983 http://www.law.cornell.edu/uscode/text/42/1983

Bivens involved a case of unlawful entry and search by federal DEA officers in a drug case. The U.S. Supreme Court applied the following analysis in *Bivens* in reaching its decision that Sec. 1983 protections reach federal authority as well as that of persons acting under state law for violations of constitutional protections or federal laws.

> First. Our cases have long since rejected the notion that the Fourth Amendment proscribes only such conduct as would, if engaged in by private persons, be condemned by state law... if the Fourth Amendment reached only to conduct impermissible under the law of the State, the Amendment would have had no application to the case. Yet this Court held the Fourth Amendment applicable and reversed petitioners' convictions as having been based upon evidence obtained through an unconstitutional search and seizure... In light of these cases, respondents' argument that the Fourth Amendment serves only as a limitation on federal defenses to a state law claim, and not as an independent limitation upon the exercise of federal power, must be rejected.

Bivens does not only apply to the fourth Amendment searches and seizures. The Civil Rights Acts, which include Sections 1981 and 1983, have been found to extend to rights protected under the First, Second, Fourth, Fifth, Sixth, Eighth, Thirteenth, and Fourteenth Amendments.[62] The courts, should they apply the *Bivens* doctrine to the circumstances of denial of contract rights in federal contracting and licensing, would similarly find that the constitutional right to equal protection would extend Sec. 1981 consequences to acts carried out under federal authority as well as state law by public officials and private persons, alike, and that federal officials have no special immunity to the consequence of acts of discriminatory interference with the right of contract, just as a "*Bivens* Action" brings them under the coverage of Sec. 1983 for denial of all rights and protections guaranteed by the U.S. Constitution and federal laws.

[62] For an example of a complex discrimination Civil Rights Acts complaint reliant upon a number of underlying constitutional grounds survived defendant agency's efforts at dismissal, see, Wynder v. McMahon, 360 F.3d 73 (2nd Cir. March 1, 2004), http://caselaw.findlaw.com/us-2nd-circuit/1241825.htm In that case, the civil rights complaint alleged discriminatory state action had deprived him his rights under the First, Fourth, Fifth, Sixth, Eighth, and Fourteenth Amendments in violation of 42 U.S.C. §§ 1981, 1983, 1985, 1986, and Title VII of the *Civil Rights Act* of 1964.

I. Section 1981 presents a solution to several problems with Title VII, and should be the preferred remedy in a combined action filed concurrently with a Title VII claim in cases where intentional discrimination can be shown.

The language of 42 USC § 1981a - Damages in cases of intentional discrimination in employment, states:[63]

> In an action brought by a complaining party under section 706 or 717 of the Civil Rights Act of 1964 [42 U.S.C. 2000e–5, 2000e–16] against a respondent who engaged in unlawful intentional discrimination (not an employment practice that is unlawful because of its disparate impact) prohibited under section 703, 704, or 717 of the Act [42 U.S.C. 2000e–2, 2000e–3, 2000e–16], and **provided that the complaining party cannot recover under section 1981 of this title, the complaining party may recover compensatory and punitive damages as allowed in subsection (b) of this section, in addition to any relief authorized by section 706(g) of the Civil Rights Act of 1964, from the respondent.**

An action filed under this part of the 1868 Civil Rights Act offers specific advantages that make it a more attractive alternative in many cases.

A plaintiff who suffers employment discrimination has more time to file suit directly in federal court under Section 1981, which has a statute of limitations of 4 years. Prior to 1991, where claims were brought pursuant to Section 1981, the Supreme Court stated that federal courts should apply "the most appropriate of analogous statute of limitations." *Goodman v. Lukens Steel Co.*, 482 U.S. 656, 660 (1987). Some state laws contain a statute of limitations on bringing civil suit that is shorter than the federal standard of four years, set in 1991. For instance, the applicable California statute of limitations is two years. However, in 1991, Congress passed a catchall four (4) year statute of limitations for actions arising under any "Act of Congress". 28 U.S.C. Section 1658(a) ("Section 1658").

[63] §1981a, *Ibid.*, http://www.law.cornell.edu/uscode/text/42/1981a

J. Arab Americans Suffer Systematic Cumulative Discrimination

Once considered along with Asians to be an example of an immigrant group that has achieved relative economic success and fair assimilation in American society, Arab Americans today are experiencing serious setbacks. In the past several decades, while some minorities have made remarkable strides toward widespread acceptance at the top levels of American society and business, Arab Americans have aggregated an increasing political and social stigma that makes them especially vulnerable targets for discrimination affecting their long-term ability to compete for positions at all levels of the economy. This makes them subject to the multitude of aggregating disadvantages due to the sort of "cumulative discrimination" described in the NAS report.

Cumulative discrimination is rooted in several decades of widespread hostility against persons of Middle Eastern origin -- Arabic, Chaldean, Persian and Turkic people, alike -- as well as religious-based discrimination and outright paranoia about Muslims. The intensity of these stereotypes and prejudices were telegraphed many-fold in the period following September, 2001. Davila and Mora found that had a direct impact upon employability and earnings for persons of identifiable Arab ethnicity:[64]

> [W]e find that Middle Eastern Arab men and Afghan, Iranian, and Pakistani men experienced a significant earnings decline relative to non-Hispanic whites between 2000 and 2002. Further analyses based on the Juhn–Murphy–Pierce wage decomposition technique as well as quantile regression indicate that this earnings decline is not explained by changes in the structure of wages or in observable characteristics beyond ethnicity. Our interpretation is that the unanticipated events of September 11th, 2001 negatively affected the labor-market income of the groups most closely associated with the ethnicity of the terrorists.

While the above researchers also report that the number of employment discrimination complaints received by the American Arab Anti-Discrimination Committee (ADC) quadrupled during that period, this still may not capture the actual magnitude of heightened hiring discrimination faced by professionals of Arab ethnicity, as much of it goes either undetected pre-employment due to "resume sifting" at the recruitment level. Even if hired, Arab Americans like other minorities in the professions are far less likely to make it to the top of their firm. New associates who are minorities are only one-seventh as likely to be promoted into an equity partnership position as their white, male law school classmates. Further obscuring these problems is the particular difficulty associated with measuring the extent of specific anti-Arab discrimination because EEOC compliance and other official employment-related data has no separate category

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[64] A. Davila and M. Mora, Journal of Population Economics, *"Changes in the earnings of Arab men in the US between 2000 and 2002"*, (Vol. 18 587-621, 2005), Changes in the earnings of Arab men in the US between 2000 and 2002

for this group that might capture the subtler patterns of hiring and promotions discrimination faced by Arab Americans.

Even before 9/11, Arab Americans carried a stigma attributable to stereotypes in popular culture and widespread political antipathies toward Muslim peoples of the Middle East. One 1997 study concluded that as overt racism and discrimination against other minorities has become more socially unacceptable, the intensity of prejudice against Arab Americans has increased and discrimination against immigrants from that region may even be increasingly tolerated.[65] Sadly, more than a decade into the 21st Century, deep prejudices against Middle Eastern peoples persist, continuing to cause problems for their advancement within the professions and in corporate America.

K. Ethnic Discrimination Against Arab Immigrants: A Local, National and Global Problem

While this Comment has primarily dealt with employment discrimination against Arab American professionals, we want to reinforce that ethnic prejudice is not a problem of assimilation that is unique to the United States. MBDA's mission is also to promote minority-owned business globally. We will therefore complete this paper with research and analysis from the European Union Agency for Fundamental Rights that finds exactly the same types of discrimination issues throughout the EU:[66]

> Overwhelming majority do not report their experiences of racism
>
> On average, 79% of Muslim respondents, particularly youths, did not report their experiences of discrimination. This means that thousands of cases of discrimination and racist crime remain invisible, and are therefore not recorded in official complaints and criminal justice data collection mechanisms. People without citizenship and those who have lived in the country for the shortest period of time are less likely to report discrimination.
>
> Regarding the reasons for not reporting incidents, 59% of Muslim respondents believe that 'nothing would happen or change by reporting', and 38% say that 'it happens all the time' and therefore they do not make the effort to report incidents.
>
> [. . .]

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[65] Faragallah, ME, Schumm, WR, Webb, J, *"Acculturation of Arab American immigrants: An exploratory study"*, Journal of Comparative Family Studies, Vol. 28, 1997, Acculturation of Arab American immigrants: An exploratory study

[66] EUAFR, http://fra.europa.eu/fraWebsite/eu-midis/eumidis_muslims_en.htm

►Ethnicity is the main reason for discrimination

Of those Muslim respondents who experienced discrimination in the past 12 months, the majority believed that this was mainly due to their ethnic background. Only 10% stated that they thought that the discrimination they experienced was based solely on their religion. However, 51% of Muslims compared to 20% of non-Muslim ethnic minorities surveyed believe that discrimination on grounds of religion or belief is "very" or "fairly" widespread.

The European study illustrates an alternative conception of the ethnic discrimination paradigm, and it reinforces the imperative that EEOC introduce a more complete and accurate range of categories for Minorities than the existing system limited to four race categories: Hispanic or Latino, White (not of Hispanic origin), Asian, Black or African-American, or Two or more Races; along with just four ethnic categories - Native Hawaiian or Other Pacific Islander (not Hispanic or Latino), and American Indian or Alaska Native.

L. CONCLUSION: The MBDA Mission Statement requires a fully fair and inclusive roster of client disadvantaged minorities, including Arab Americans

Since MBDA works in tandem with other federal agencies and commissions, including the EEOC, and a parallel set of State and local anti-discrimination laws and commissions, it is incumbent upon these bodies to create a fully fair and inclusive roster of disadvantaged minority groups, including Arab Americans. MBDA's Mission statement is:[67]

> MBDA's Mission is to foster the growth and global competitiveness of U.S. businesses that are minority- owned.

The groups considered "socially and economically disadvantaged," listed in Executive Order 11625, are "Black, Puerto-Ricans, Spanish-speaking Americans, American Indians, Eskimos, and Aleuts.'" As noted in the NOPR, Hasidic Jews, Asian Pacific Americans and Asian Indians have been included in the list of the groups who are socially or economically disadvantaged and thus eligible for assistance from the MBDA in 15 CFR part 1400.1(c).

As the agency specifically charged with promoting minority contracting worldwide, there is no rational basis as to why MBDA should not include Arab Americans in that list of groups eligible for such assistance. Therefore, the Agency should now grant this petition.

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[67] See, Director Hinson's Presentation on MBDA's Strategic Direction August 27, 2009, http://www.mbda.gov/node/421

Group Exhibit B: Characteristics of the Arab American Population, Brooklyn, NY

Survey responses for the NYU Arab American Survey painted a picture of the typical AAANY client. This client lives in southwest Brooklyn [Zip Codes 11209, 11214, 11220], is female, married, 35 years old and Muslim. The results also show that many of the survey respondents are unemployed, have low annual household incomes — about 60 percent have a total annual household income of less than $30,000 — and have not attained a level of education past high school. A majority of respondents have lived in the United States for 10 years or longer, are accessing government benefits, and feel there is a need for more translation services when dealing with government agencies. Most frequently, respondents were born in the United States and identify as Muslim and Arab.

Another study of the New York Arab American community was conducted by Prof. Jerome Krase, Professor of Demographics at CCNY Brooklyn College for The Center for Arab American Empowerment (CAAE), Community Needs Assessment: New York City's Arab American Community, (July, 2007), http://www.academia.edu/351985/_Community_Needs_Assessment_New_York_Citys_Arab_American_Community .

Unlike the AAANY survey, the CAEE study did not focus on any particular subset of the community, such as potential social service center users. Looking at the general population, based in data from the 2000 Census and the 2005 CAS, Krase found the following for the general Arab American populations of New York City and the Five Burroughs:

[. . .]

Occupation, Industry, and Class of Worker

When we look at the data on occupations using the 2005 American Community Survey we must be very cautious as the sample sizes for the Arab American Ancestry groups, especially females, are too small to offer many comparisons with confidence. In general it can be said that they are as likely to be employed in Management, professional, and related occupations; less likely to be employed in service occupations as well as

construction, extraction, maintenance, and repair occupations, and more likely to be employed in Sales and office occupations than other New York workers.

Other comparisons that can be made pertain to Industry of employment and Class of Worker. **Arab Americans are much more likely to be employed in Retail trade than all New Yorkers (23.7% versus 9.4%).** They are more likely to be employed in Transportation and warehousing, and utilities (10.7% versus 6.3%) and less likely to work in Educational services, and health care and social assistance (17.4% versus 24.7 % respectively). As to Class of Worker Arab Americans are about as likely to be Private wage and salary workers (81.4%versus 78.1%), less than half as likely to be Government workers (7.5 % versus 15.2 %) **and almost twice as likely to be Self-employed workers in own not incorporated business (11.1% versus 6.61%. respectively)**

While the AAANY demographic indicators of poverty and need for social services are considerably above average found elsewhere for Arab Americans in New York, they are representative of this population in the New York City area, which behind the Detroit area, contains the largest single concentration of Arab Americans in America.

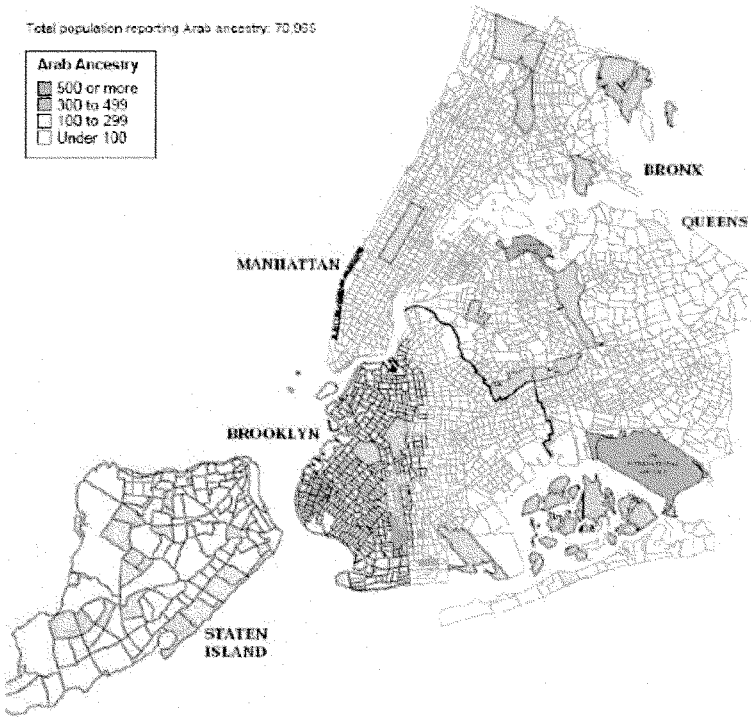
The epicenter of Arab American community in New York's five Burroughs is southwest Brooklyn, specifically the Bay Ridge-Bensonhurst neighborhoods, as shown at the Illustrations, below:

Illust. 61st St., Bensonhurst, Brooklyn

[Source: Google images]

Illustr. 2, Arab American Population Density, NYC

Map SF3 SB P-5: Population Reporting Arab Ancestry by Census Tract
New York City, 2000



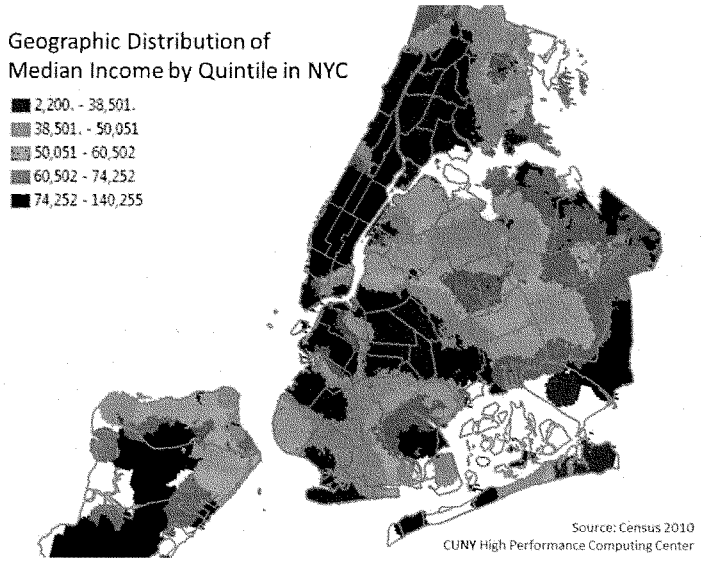
Source: U.S. Census Bureau, 2000 Census SF3
Population Division - New York City Department of City Planning

[Source: Jerome Krase, The Center for Arab American Empowerment, Community Needs Assessment: New York City's Arab American Community, (July, 2007), http://www.academia.edu/351985/ Community Needs Assessment New York Citys Arab American Community

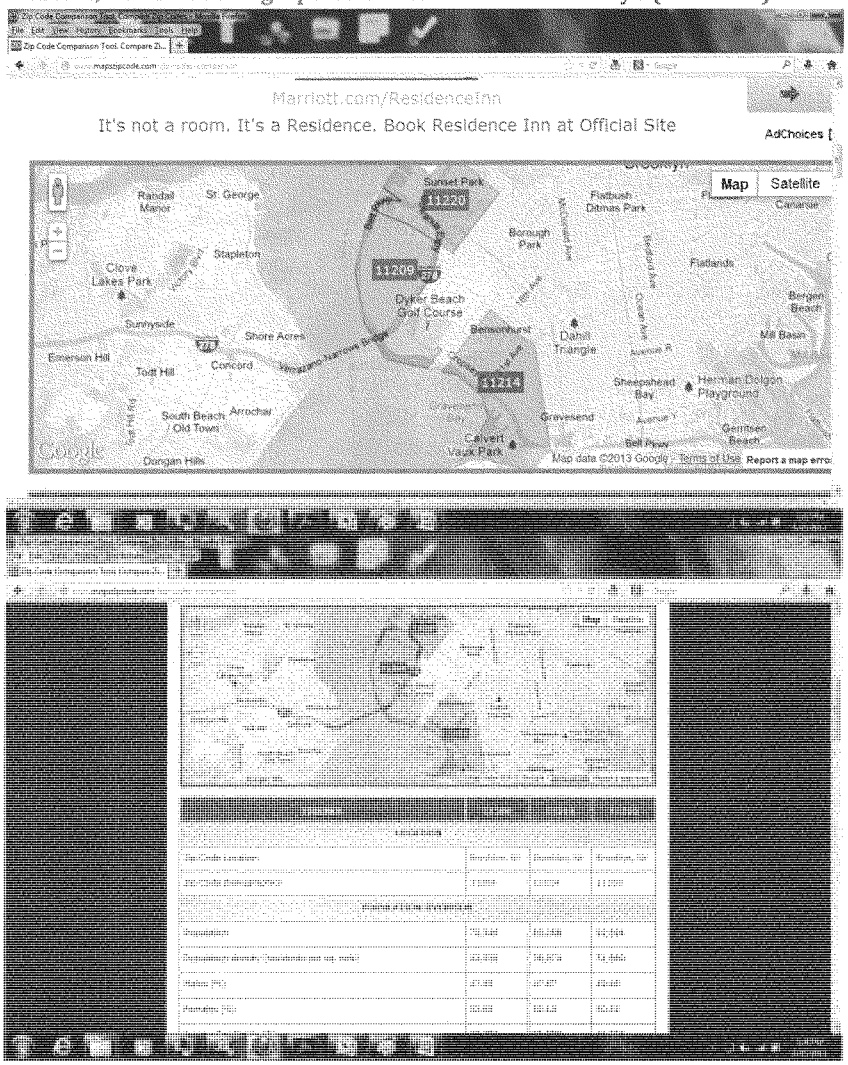
The CAAE study found, specifically:

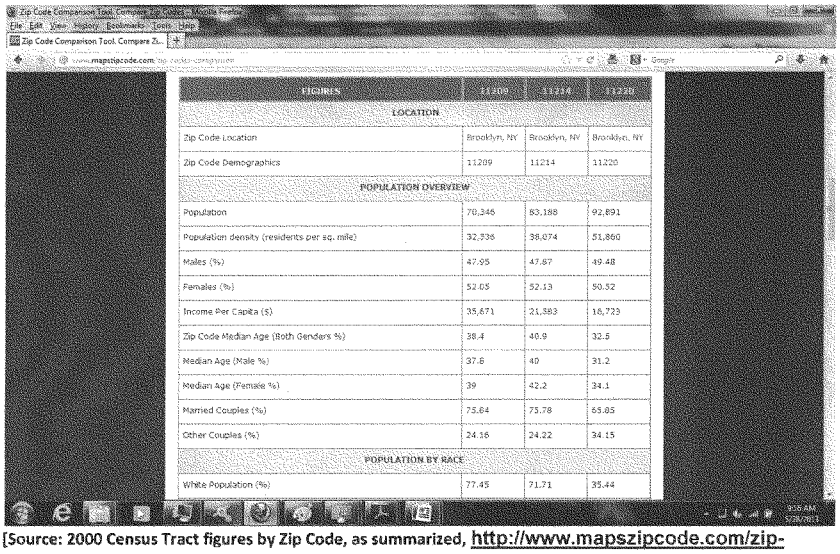
> Of the 49,080 New York City residents who speak Arabic at home reported in the 2000 Census, 24,968 are found in Brooklyn, 2,655 in the Bronx, 12,504 in Queens, 5,342 in Manhattan, and 3,611 in Staten Island.
>
> The largest neighborhood concentrations of Arab Americans are in Brooklyn's Bay Ridge-Bensonhurst, Gravesend-Homecrest, and Sunset Park-Industry City neighborhoods as well as in Astoria, Queens.

Illustr. 3, Demographics for NYC by Income Quintiles (2010 ACS)



Illustr. 4, Detailed demographics for southwestern Brooklyn (2000 ACS)





FIGURES	11209	11214	11220
LOCATION			
Zip Code Location	Brooklyn, NY	Brooklyn, NY	Brooklyn, NY
Zip Code Demographics	11209	11214	11220
POPULATION OVERVIEW			
Population	70,346	83,188	92,891
Population density (residents per sq. mile)	32,936	38,074	51,860
Males (%)	47.95	47.87	49.48
Females (%)	52.05	52.13	50.52
Income Per Capita ($)	35,671	21,583	16,723
Zip Code Median Age (Both Genders %)	38.4	40.9	32.5
Median Age (Male %)	37.6	40	31.2
Median Age (Female %)	39	42.2	34.1
Married Couples (%)	75.64	75.78	65.85
Other Couples (%)	24.16	24.22	34.15
POPULATION BY RACE			
White Population (%)	77.45	71.71	35.44

[Source: 2000 Census Tract figures by Zip Code, as summarized, http://www.mapszipcode.com/zip-codes-comparison

Appendix I: Resume with Selected Publications of Rami D. Fakhoury

RAMI D. FAKHOURY

EDUCATION:

J.D. - Cum Laude, Michigan State University (International Law Concentration), 1993

B.A. - B.S., Wayne State University (Finance/ Economics), 1989

PROFESSIONAL LICENSES:

State Bar of Michigan, 1994

Federal District Court

- U.S. District Court of the Eastern District of Michigan, 1994

PROFESSIONAL ORGANIZATIONS:

American Bar Association

American Immigration Lawyers Association (AILA)

State Bar of Michigan, International Law Section

Information Technology Association of America (ITAA), Immigration Law Committee

International Business Association, Immigration Law Committee;

Fellow, Center of International Legal Studies, Salzburg Austria

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PROFESSIONAL ACHIEVEMENTS:

Martindale-Hubbell, Rated AV

Immigration Attorney of the Year (2011) – *Detroit Lawyer Monthly*

Top Lawyer - *D Business* and *Hour* magazines

International Who's Who of Corporate Immigration Lawyers

AREAS OF PRACTICE:

Corporate Immigration Law

PROFESSIONAL EMPLOYMENT HISTORY:

2006 – Present, Equity Partner, ***Fakhoury Global Immigration***
102, Mahavir Estate,
Off Mahakali Caves Road,
Andheri (E), Mumbai 400093 INDIA

1997 – Present, Managing Attorney, Fakhoury Law Group, PC,
3290 West Beaver Road, Suite 510, Troy, MI 48084

LEGAL TREATISES AND SELECTED PUBLICATIONS:

Editor - *The Consular Posts Book*, (2009-2010 Edition), *USCIS immigration procedures and US State Dept. consular procedures,* (ILW Publications, 2009)(ISBN 0-9769529-2-0), http://www.ilw.com/books/ConsularPosts.pdf.

Author - Two other immigration books and hundreds of policy articles, professional and trade group presentations, and white papers. In partnership with other ABIL attorneys, and the prestigious LexisNexis legal publishing company, Mr. Fakhoury is Chapter Author on the H-1B, EB-1, EB-5 and TN categories in the upcoming book, *Global Business Immigration Guide.*

2011 – Present, Columnist (Global IT Industry and US Immigration) for India's *The Financial Times.*

PROFESSIONAL EXPERIENCE:

Over 3,500 immigration cases prepared per year with a 98 percent approval rate (FY 2010)

Appendix II: 2005 Changes to Form EEO-1

Private sector employees with 100 or more employees and companies that are not an affirmative action employer with 50 or more workers are required to submit an EEO-1 Report with the Equal Employment Opportunity Commission (EEOC).

Qualifying employers must file demographic data each year by September 30th that tells the government the makeup of their workforce by sex and race/ethnicity. This is further divided into occupational categories called EEO-1 Groups.

The EEO-1 Report is one of several Standard Form 100 reports created by the government to amass statistics about America's workforce. EEO-1 contains information from private sector employers (public and private companies). The EEOC began collecting employer data in 1966 under the authority given to it by the Civil Rights Act of 1964. Little changed on the EEO-1 until last revised on November 28, 2005.

Changes in EEO-1

Several changes were made in the race/ethnic categories for which reporting is required.

Pre-2005 EEO-1 Categories

- Hispanic
- White (not of Hispanic origin)
- Black (not of Hispanic origin)
- Asian or Pacific Islander
- American Indian or Alaskan Native

Revised EEO-1 Categories

- Hispanic or Latino – includes all employees who answer "Yes" to the question, are you Hispanic or Latino?
- White (not Hispanic or Latino)
- Black or African American (not Hispanic or Latino)
- Native Hawaiian or Other Pacific Islander (not Hispanic or Latino)
- Asian (not Hispanic or Latino)
- American Indian or Alaska Native (not Hispanic or Latino)
- Two or More Races (not Hispanic or Latino)

[For an official set of definitions and instructions for completing the new EEO-1 form go to: EEO-1 Instruction Booklet]

APPENDIX III

The Demographics of Equity

Leipold, J.G. and Collins, J.N., *The Demographics of Equity, NALP Bulletin,* (Nov. 2011), http://www.nalp.org/demographics_of_equity

Are equity partners in law firms disproportionately white men? It turns out that the answer is probably yes, and no.

There has been considerable speculation about and consternation over the prospect that the ranks of non-equity partners were filled disproportionately with women and minority lawyers. Until now there has not been good industry data available to help answer this question.

For the first time, in 2011 NALP included reporting of equity and non-equity partner information in the *NALP Directory of Legal Employers*. Many firms with multi-tier partnership structures reported on the demographics of their equity and non-equity partners, and, as a result, we are now able to say something about the disparities that do or do not exist. The findings are many, but the bottom line is that while partners in general continue to be disproportionately both male and white, among women lawyers and minority lawyers who are partners, there is not a dramatic skew toward non-equity status.

This new data is by no means definitive, but it is the beginning of being able to say something meaningful about the ranks of equity and non-equity partners as to race and gender. Although many firms with multi-tier partnerships did not provide equity/non-equity demographics in this first year, many did, accounting for just over 20,000 partners, or about half of the partners in the directory who are at firms with multi-tier partnerships. Tables 1-3 provide several perspectives on the initial findings.

- Overall, based on those offices that provided information, 65% of male partners were equity partners as of February 2011, while just under half (47%) of both women partners and minority partners were equity partners, a differential of 18 percentage points. See Table 1.
- Among equity partners, about 84% were men, 16% were women, and just under 5% were racial/ethnic minorities. (The minority figures include both men and women, so the three figures add to more than 100%.) Among non-equity partners, the respective figures were 72% men, 28% women, and 8% racial/ethnic minorities. See Table 2.
- Finally, among all partners, the equity/non-equity split is about 61%/39%. Just over half of partners were male equity partners; not quite 10% were women equity partners; and almost 3% were minority equity partners (Again, minorities are also included in the counts by gender.) See Table 3.

Given the fact that law firm partners are still overwhelmingly white and mostly male — about 94% of all partners are white and about 81% are men according to NALP's most recent figures — these new findings do not paint a picture as gloomy as many feared. In other words, only 19% of all partners are women while 47% of women partners are equity partners, nearly 16% of

all equity partners are women, and nearly 10% of all partners are women with equity. Similarly, only 6% of all partners are minority lawyers while 47% of minority partners are equity partners, nearly 5% of all equity partners are minority, and more than 3% of all partners are minorities with equity. The disparities by race and gender are stark, to be sure, but the proportion of women and minorities who are equity partners is not dramatically worse than the overall numbers of women and minorities who are partners. Many industry observers feared that the disparities would be greater than they appear to be.

Any conclusions drawn from this data must be stated very tentatively, however. Given how closely some firms hold the information about equity and non-equity demographics, we were pleased to receive the information for half of all partners in multi-tier firms listed in the directory in the first year of this data collection effort. Whether the findings based on those who did report can be extrapolated to the larger group of offices with multi-tier partnerships, however, is not known. We do not know the characteristics of those offices that did not report and there is no other publicly available data set to use for comparison purposes, so these data must stand on their own until more data can be gathered.

We are hopeful that, as with most of NALP's data collection efforts, a larger percentage of law firms will provide the information as time goes by. Going forward, law students and other constituencies will likely push additional law offices to report on their equity/non-equity partner demographics, and law firms will likely grow more comfortable reporting this data in a variety of settings. As a result, hopefully a broader and even more representative data set can be built.

To determine whether an individual law firm or law office is a multi-tier firm, and to determine if multi-tier demographic data were submitted, you can review an individual law office's NALP form at www.nalpdirectory.com.

Table 1. Percent of Partners Reported as Equity Partners by Gender or Minority Status

Men partners	16,134
% equity	64.9%
Women partners	4,104
% equity	47.0%
Minority partners	1,229
% equity	47.1%

Table 2. Distribution of Equity and Non-equity Partners by Gender or Minority Status

Equity partners	12,396
% men	84.4%
% women	15.6%
% minority	4.7%
Non-equity partners	7,842
% men	72.3%
% women	27.7%

% minority	8.3%

Table 3. Distribution of All Partners by Equity Status and Gender or Minority Status

Total partners	20,238
% equity	61.3%
% men equity	51.7%
% women equity	9.5%
% minority equity	2.9%
% non-equity	38.7%
% men non-equity	28.0%
% women non-equity	10.7%
% minority non-equity	3.2%

Note: Figures are based on 317 offices/firms that have a tiered partnership and also reported information on equity and non-equity partner counts. A number of firms that otherwise reported information on an office-by-office basis reported the partnership information on a firm-wide basis. Minorities are also counted as men or women, hence percentages add to more than the total.

[SIDEBAR: Minority Enrollment]

2.23.12 The Chronicle of Higher Education highlights some of the most recent census results around minority gains higher education. According to the paper, "From 2001 to 2011, the number of Hispanics 25 and over with a bachelor's degree or higher rose by 80 percent, the figures show. Among blacks, the increase was 47 percent, and among non-Hispanic whites, it was 24 percent."]

GROUP EXHIBIT C - Minorities in Law Firms by Race and Ethnicity

http://www.nalp.org/jan2011wom_min?s=ethnicity#table1

A Closer Look at NALP Findings on Women and Minorities in Law Firms by Race and Ethnicity

NALP Bulletin, January 2011

In a November 4, 2010 press release, NALP reported that the representation of women and minority lawyers among law firm associates declined between 2009 and 2010, likely a casualty of massive lawyer layoffs during the 2008-2009 recession. As NALP Executive Director James Leipold noted in that release, the actual drop in the representation of women and minorities was quite small and occurred only among associates, not partners, but the decrease is still of significance because it represents the reversal of what had been, up until 2010, a constant upward trend.

Aggregate statistics about the representation of women and minority lawyers at law firms do not tell the whole story, however. For instance, among all employers listed in the 2010-2011 NALP Directory of Legal Employers, just over 6% of partners were minorities and 1.95% of partners were minority women, and yet many offices reported no minority partners at all. In addition, the representation of minorities by specific race and ethnicity varies considerably by size of law firm and geography. Moreover, the drop in minority representation among associates was not uniform across specific racial/ethnic groups. This article takes a closer look at the representation of specific minority groups at the partnership and associate levels.

Overall, minority groups are relatively equally represented at the partner level (Table 1). (The term *minorities* as used here includes lawyers identified as Black, Hispanic, Native American, Asian, Native Hawaiian/Pacific Islander, and multi-racial. The very few Native American, Native Hawaiian, and multi-racial lawyers are not reported out separately.) Differences are evident, however, depending on the size of the firm. For example, the presence of Black and Hispanic partners increases with firm size, whereas Asian partners are most prevalent at the smaller and largest firms. Percentages of female minority partners are generally highest in the largest firms, although for Asian women percentages at the smallest and largest firms are nearly identical.

At the city level, the presence of Black partners is highest in Atlanta, followed by Washington, DC, Baltimore, and New Orleans. The presence of Black female partners exceeds 1% in just four cities: Atlanta, Ft. Lauderdale/West Palm Beach, Miami, and Washington, DC. Black partners account for less than 0.5% of partners in Grand Rapids, Minneapolis, Orange County, CA, and San Diego.

Over half of minority partners in Austin, Miami, Ft. Lauderdale/West Palm Beach, Phoenix, and Tampa/St. Petersburg are Hispanic. In each of these cities, the presence of female Hispanic partners is also above average. Conversely, in nine of the 43 cities

listed, fewer than 0.5% of partners are Hispanic. Asian partners are most common in the Los Angeles and Orange County, CA areas, and in the San Francisco and San Jose areas. Asian women are most frequent in these same cities, as well as in Sacramento.

Among associates, Asians account for almost half of all minority associates at the national level, and in the smallest and largest firms. Comparing these 2010 figures with those from 2009 shows that the overall decline in minority representation from 19.67% in 2009 to 19.53% in 2010 (as reported in the November 4, 2010 press release cited above) occurred primarily among Blacks, and to a lesser extent, Hispanics. Thus, the percentage of Black associates declined from 4.66% in 2009 to 4.36% in 2010; for Hispanic associates, the percentages declined from 3.89% to 3.81%. Representation of Asians among associates, in contrast, increased a bit, from 9.28% to 9.39%.

As is the case with partners, cities vary a great deal on these measures (Table 2). For example, Black associates are most common by far in Atlanta, followed by Charlotte, Ft. Lauderdale/West Palm Beach, and Nashville. In each of these cities, except Ft. Lauderdale/West Palm Beach, Blacks account for over half of minority associates. The percentage of Black female associates was also highest in these cities, along with New Orleans and Washington, DC. Every city reported at least some Black associates and Black female associates. The pattern for Hispanic associates is similar to that at the partner level, with representation highest by far in Miami, followed by Ft. Lauderdale/West Palm Beach, and Austin. Percentage representation was less than 1% in several cities. The leading cities for Asian associates — both overall and for women specifically — are San Francisco, followed by the San Jose area, the Los Angeles and Orange County areas, New York City, and Seattle. Every city reported at least some Asian associates.

Additional insight on women and minorities at law firms comes from looking at the extent to which women and minorities are represented at each office, rather than for a city or for the nation as a whole. Thus, the fact that just over 6% of partners as a whole are minorities does not mean that minorities make up 6% of partners at each of the 1,400 offices and firms represented in the 2010 Directory. In fact, as Table 3 shows, about 30% of the offices/firms reported no minority partners, and 57% reported no minority women partners. Both of these figures are better at the largest firms, and most offices — 90% — report at least one woman partner, but less than half — about 46% — have more than the average 19% of women partners.

Likewise, almost 16% of offices/firms have no minority associates, and 42% exceed the average figures of about 19%. (See Table 4.) About 25% of offices reported no minority women associates. In each case, small firms are most likely to have no minority associates and the largest firms least likely to have no minority associates. However, firms of 501-700 lawyers are most similar to the smallest firms on these measures. About one-third of offices reported that more than half of associates were women.

Partner Demographics at Law Firms — 2010

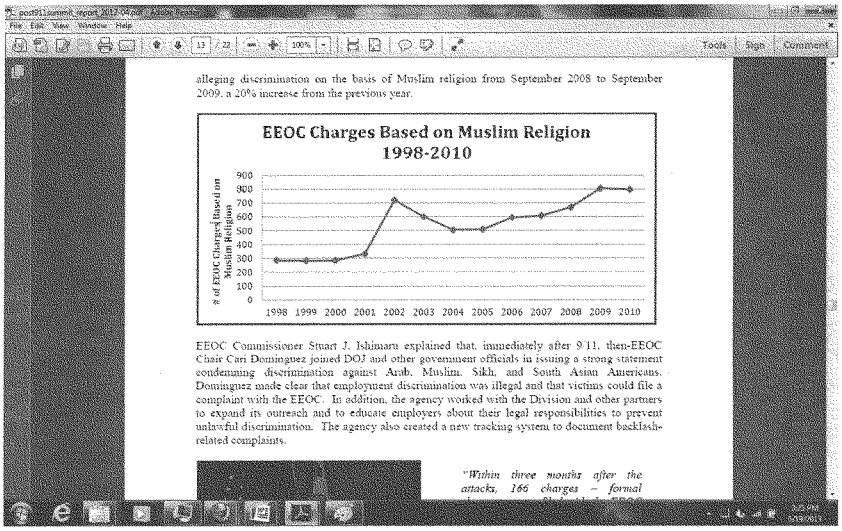
	ALL PARTNERS			PARTNERS BY RACE OR ETHNICITY						# of Offices
				Asian		Black/African American		Hispanic		
	Total #	% Minority	% Minority Women	Total %	% Women	Total %	% Women	Total %	% Women	
Total	58,753	6.16	1.95	2.30	0.81	1.70	0.56	1.70	0.44	1,400
By Size of Firm:										
100 or fewer lawyers	6,781	5.91	2.14	2.77	1.06	1.05	0.38	1.24	0.43	246
101-250 lawyers	14,224	4.20	1.22	1.36	0.46	1.36	0.40	1.06	0.24	221
251-500 lawyers	12,625	6.04	2.01	1.91	0.74	1.89	0.68	1.78	0.50	309
501-700 lawyers	6,284	6.46	1.85	2.29	0.81	1.91	0.56	1.78	0.33	179
701+ lawyers	18,839	7.72	2.44	3.11	1.04	2.00	0.67	2.28	0.61	445

GROUP EXHIBIT D- "Confronting Discrimination of Post-9/11 Era" - USDOJ Report (April 2012)

Confronting Discrimination in the Post-9/11 Era - Department of Justice
www.justice.gov/crt/publications/.../post911summit_report_2012-04.pdf

Addressing Discrimination in Employment

The Division shares responsibility with the Equal Employment Opportunity Commission (EEOC) for enforcing laws that prohibit discrimination in employment, including discrimination based on national origin or religion. EEOC statistics show a marked increase in claims alleging discrimination based on Muslim faith since 2001. Although the number of complaints filed decreased after 2002, complaints alleging anti-Muslim bias in the workplace are now the highest they have ever been. As illustrated in the chart below, the EEOC received 803 such complaints alleging discrimination on the basis of Muslim religion from September 2008 to September 2009, a 20% increase from the previous year.



ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

The following organizations submitted material for this hearing. That material will be maintained in the committee's permanent record.

Index: Disparity Studies

North Carolina

City of Charlotte: Disparity Study, Prepared by MGT of America, Inc., for the City of C Charlotte (2011)

Ohio

The State of Minority and Women Owned Enterprise: Evidence from Northeast Ohio, Prepared by NERA Economic Consulting for the Northeast Ohio Regional Sewer District (2010)

The State of Minority and Women Owned Business Enterprise: Evidence from Cleveland (2012)

Oklahoma

City of Tulsa Business Disparity Study, Prepared by MGT of America, Inc. for the City of Tulsa (2010)

Oregon

A Disparity Study for the Port of Portland, Oregon, Prepared by MGT for America, Inc., for the Port of Portland, Oregon (2009)

City of Portland Disparity Study, Prepared by BBC Research & Consulting for the Portland Development Commission (2011)

Pennsylvania

City of Philadelphia, Fiscal Year 2009 Annual Disparity Study, Prepared by Econosult Corporation for the City of Philadelphia (2010)

City of Philadelphia, Fiscal Year 2010 Annual Disparity Study, Prepared by Econosult Corporation for the City of Philadelphia (2011)

City of Philadelphia, Fiscal Year 2011 Annual Disparity Study, Prepared by Econosult Corporation for the City of Philadelphia (2012)

Tennessee

City of Memphis, Tennessee, Comprehensive Disparity Study, Prepared by Griffin and Strong, P.C., for the City of Memphis (2010)

Texas

The State of Minority and Women Owned Enterprise in Construction: Evidence from Houston, Prepared by NERA Economic Consulting for the Northeast Ohio Regional Sewer District (2012)

Virginia

A Disparity Study for the Commonwealth of Virginia, Prepared by MGT of America, Inc. for the Commonwealth of Virginia (2010)

Washington

2012 DBE Program Disparity Study (2012)

Washington D.C.

2010 Disparity Study, Final Report, Prepared by Mason Tillman Associates, Ltd., for the Washington Suburban Sanitary Commission (2011)

Wisconsin

Disparity Study for the City of Milwaukee, Prepared by D. Wilson Consulting Group, LLC for the City of Milwaukee (2010)

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