

GO ITEM 3
September 29, 2014

MEMORANDUM

TO: Government Operations and Fiscal Policy Committee

FROM: Robert H. Drummer, Senior Legislative Attorney 

SUBJECT: Review – County’s MFD Program and the 2014 Disparity Study

Expected attendees:

Rodney Strong, CEO, Griffin & Strong, P.C.
Marc Hansen, County Attorney
David Dise, DGS Director

Background

In May 2013, the County retained Griffin & Strong, P.C. (GSPC) to conduct a comprehensive disparity study. GSPC examined and analyzed the procurement policies and practices of the County and its prime contractors regarding the use of Minority, Female, and Disabled owned businesses (MFD) on County contracts for goods and services. The goal was to determine if there was a statistically significant disparity between the number of MFD firms in the relevant market and the dollars awarded to MFD firms through County contracts. GSPC divided County contracts into 4 categories – Construction, Professional Services, Services, and Goods.

GSPC conducted a quantitative analysis of the County’s contracting history between July 1, 2007 and June 30, 2012. This analysis started with a determination of the relevant geographic market area for each of the 4 categories of procurement contracts. GSPC concluded that the relevant market was the geographic area where 75-85% of the firms contracting with the County are located. Within each relevant market, GSPC compared the percentage of firms in each race, ethnicity, gender, and disability group that are qualified, willing and able to perform services used by the County with the percentage of dollars spent by the County on firms in each MFD group. GSPC used this analysis to determine if each MFD group was underutilized or overutilized in each relevant market. GSPC looked at both prime contractor utilization and subcontractor utilization.

GSPC further analyzed the results to determine if the underutilization observed was statistically significant and if the underutilization could be attributed to the MFD status of the firms through both a regression analysis that controlled for other possible explanations, such as business size or experience, and anecdotal evidence. A summary of the statistically significant underutilization found by GSPC is at ©1. The complete report can be found at: <http://www.montgomerycountymd.gov/cat/services/disparitystudy.html>.

GSPC found a statistically significant underutilization of some MFD groups in each procurement category that can be attributed to discrimination in the marketplace. Although GSPC did not find a statistically significant underutilization for all MFD groups in each category, they did find that African American owned firms were underutilized in each procurement category each year of the study. GSPC concluded that the “evidence suggests that absent affirmative measures the County would be a passive participant in a pattern of exclusion of MFD firms.” See Study, page 235.

Mr. Strong will attend the worksession to explain and answer questions about the Study’s methodology and findings.

This packet contains
Summary of Findings

Circle
1

F:\LAW\TOPICS\Procurement\Minority Owned Business\GO Memo.Doc

II. SUMMARY OF FINDINGS

The Study found a statistically significant disparity between the number of available MFDs in the relevant markets in each work category throughout the term and the utilization, measured by dollars awarded by the County, of those same MFD groups. GSPC also determined that when the disparity was broken down by each race/gender/ethnicity group, on average, over the entire Study, the following significant underutilizations were found.

Table 1: Summary of Statistically Significant Underutilization in Prime Contracting

Montgomery County, Maryland
 Disparity Study
 (Over Entire Study Period – July 1, 2007 through June 30, 2012)
 From P.O., DPO, and P-Card Purchases

Griffin & Strong, P.C. 2014

<i>Construction</i>	<i>Professional Services</i>	<i>Services</i>	<i>Goods</i>
African American	African American	African American	African American
Asian American	Asian American	Asian American (DPO and P-card purchases only)	Asian American
Hispanic American (DPO and P-card purchases only)	Hispanic American (DPO and P-card purchases only)	Hispanic American (DPO and P-card purchases only)	Hispanic American
Native American	Native American	Native American (DPO and P-card purchases only)	Native American
Female (PO and P-Card purchases only)	Female	Female	Female
Disabled	Disabled	Disabled (PO and P-card only)	Disabled

With regard to subcontractors, GSPC found that the following MFD groups in the following business categories showed significant underutilization:

Table 2: Summary of Statistically Significant Underutilization in Subcontracting

Montgomery County, Maryland
Disparity Study
(Over Entire Study Period – July 1, 2007 through June 30, 2012)
From Prime Vendor Questionnaire

<i>Construction</i>	<i>Professional Services</i>	<i>Services</i>	<i>Goods</i>
African American	African American	African American	
Asian American		Asian American	Asian American
Hispanic American	Hispanic American	Hispanic American	Hispanic American
Native American	Native American	Native American	Native American
Female			
Disabled	Disabled	Disabled	Disabled

Griffin & Strong, P.C. 2014

GSPC then tested the disparities for likely cause through a regression analysis and determined that Montgomery County, Maryland may be an active or passive participant in past or present discrimination in its vendor marketplace. Notwithstanding this general finding, the County has made some improvements in the inclusion of MFDs in its procurement process since the last, 2005 Disparity Study and the enactment of the Local Small Business Reserve Program in all areas except Construction which decrease by a minimal .1%.

Table 3: Summary of MFD Prime Utilization Comparison Between 2001-03 and 2007-12

Montgomery County, Maryland
Disparity Study
From P.O.s

Griffin & Strong, P.C. 2014

	<i>2001-2003</i> %	<i>2007-2012</i> %	<i>% Change</i>
Construction	26.11	26.01	- .10
Professional Services	7.08	8.94	+1.86
Services	19.61	31.95	+12.34 ¹
Goods	6.19	7.13	+ .94

Detailed findings are included in Section VIII of this report.

¹ Substantial increase is primarily due to jump in Asian American utilization from .68 in 2001-3 to 14.69 in 2007-2012.