



AISD Disparity Study: Methods, Findings & Conclusions

Prepared for the Austin Independent School District

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Insight in Economics™

Study Team



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Prime Consultant:

- NERA Economic Consulting

Subconsultants:

- Business Resource Consultants
- The Law Firm of Don T. O'Bannon
- D'Moriea Consulting
- CR Dynamics & Associates
- Combat Veteran Voicewriters LLC
- J&D Data Services

Disparity Study Objectives



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- Compile & evaluate evidence necessary to meet AISD's constitutional & regulatory requirements
- Suggest recommendations to narrowly tailor program elements
- Increase opportunities for full & fair competition by minorities & women in AISD contracting

Legal Standards



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- M/WBE programs must meet “strict constitutional scrutiny,” the most demanding level of constitutional review
- Strong basis in evidence of government’s “compelling interest” in remedying discrimination means:
 - Statistical evidence of disparities in the market area
 - Anecdotal evidence of barriers to full & fair inclusion
- Remedies must be “narrowly tailored” to that evidence:
 - Each group must have some evidence of discrimination
 - Overall goals must reflect the evidence
 - Contract goals must reflect the relevant scopes of work
 - Beneficiaries must be socially & economically disadvantaged
 - Goals must be flexible
 - Race & gender-neutral measures must also be used

Relevant Markets (Chapter II)



- AISD's geographic market area is based on the distribution of contract and subcontract spending from 2009-2013.
- For AISD, we successfully obtained 71% of all contracts sampled and 73% of all awarded prime contract dollars.
- Market area was determined to be the Austin-Round Rock, TX Metropolitan Statistical Area.
- The Austin-Round Rock MSA includes the Texas counties of Travis, Williamson, Hays, Bastrop and Caldwell.

M/WBE Availability (Chapter III)



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- Used Dun & Bradstreet records to identify establishments (both M/WBE & Non-M/WBE) in the AISD market area, within the relevant NAICS codes.
- Merged custom M/WBE master directory with Dun & Bradstreet to improve race & sex assignment accuracy.
- Used results from 25k telephone surveys to statistically correct availability numbers for instances of race & gender misclassification.
- Overall M/WBE availability estimates appear in the Executive Summary, Table A1 and Report Table 3.11; more detailed estimates appear in Report Tables 3.12-3.15.

Market-Based Disparities (Chapter IV)



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- Based on regression analysis using Census data from the most recent *American Community Surveys*. Also includes data from the most recent *Survey of Business Owners*.
- Comparing minorities & women to similarly-situated nonminority males, we:
 - Tested for disparities in (1) wages, (2) business owner earnings, and (3) business formation rates
 - Identified adverse & statistically significant disparities for all M/WBE types in construction, goods & services, & economy-wide

Market-Based Disparities (Chapter IV)



Summary of Chapter IV Regression Results

	Construction			Goods & Services		
	Wages	Business Owner Earnings	Business Formation Rate	Wages	Business Owner Earnings	Business Formation Rate
African American	Adverse	Adverse	Adverse	Adverse	Adverse	Adverse
Hispanic	Adverse	Adverse	Adverse	Adverse	Adverse	Adverse
Asian/Pacific Islander	Adverse	Adverse	Adverse	Adverse	Adverse	Adverse
Native American	Adverse	Adverse	Adverse	Adverse	Adverse	Adverse
Non-minority Female	Adverse	Adverse	Adverse	Adverse	Adverse	Adverse

All results are statistically significant at a 5% or better (1-in-20) probability value

Capital Market Disparities (Chapter V)



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- Based on regression analysis using data from Federal Reserve Board & NERA's own surveys.
- Loan applications of minority-owned firms, esp. African Americans, were substantially more likely to be denied than other groups, *even after accounting for differences in balance sheets and creditworthiness.*
- Minority-owned firms (specifically African Americans) when they did receive credit, paid higher interest rates, on average, for their loans.
- Results were not significantly different in the WSC (which includes the AISD Market Area) than in the nation as a whole.
- The results from NERA's own past credit surveys and more recent research from Dr. Alicia Robb are entirely consistent with the Federal Reserve results.

Disparities in AISD Contracting (Chapter VI)



Construction Contracts

M/WBE Type	Utilization (%)	Availability (%)	Disparity Ratio (if Adverse)	
Dollars Paid				
African American	0.61	1.18	51.5	
Hispanic	4.73	8.05	58.8	****
Asian	0.48	1.55	30.8	****
Native American	0.12	0.33	34.9	
Minority-owned	5.93	11.12	53.4	****
White female	11.90	7.94		
M/WBE total	17.83	19.06	93.6	

Disparities in AISD Contracting (Chapter VI)



Professional Services Contracts

M/WBE Type	Utilization (%)	Availability (%)	Disparity Ratio (if Adverse)	
Dollars Paid				
African American	2.30	1.24		
Hispanic	8.32	4.80		
Asian	2.92	1.70		
Native American	3.28	0.19		
Minority-owned	16.82	7.94		
White female	12.33	7.21		
M/WBE total	29.16	15.15		

Disparities in AISD Contracting (Chapter VI)



Nonprofessional Services Contracts

M/WBE Type	Utilization (%)	Availability (%)	Disparity Ratio (if Adverse)	
Dollars Paid				
African American	0.01	4.58	0.3	****
Hispanic	1.22	5.33	22.8	****
Asian	0.17	1.43	11.7	****
Native American	0.00	1.61	0.0	****
Minority-owned	1.40	12.96	10.8	****
White female	8.46	12.58	67.3	
M/WBE total	9.86	25.54	38.6	****

Disparities in AISD Contracting (Chapter VI)



Commodities Contracts

M/WBE Type	Utilization (%)	Availability (%)	Disparity Ratio (if Adverse)	
Dollars Paid				
African American	9.22	1.58		
Hispanic	10.24	6.73		
Asian	1.61	4.20	38.3	****
Native American	0.03	1.17	2.4	****
Minority-owned	21.10	13.68		
White female	10.96	8.85		
M/WBE total	32.07	22.53		

Anecdotal Evidence (Chapter VII)



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- Mail survey of area business owners found:
 - More M/WBEs than non-M/WBEs experienced disparate treatment, even when capacity is held constant across firms.
 - More M/WBEs than non-M/WBEs report business environment factors make it harder or impossible to obtain contracts, even when capacity is held constant across firms.
 - In the large majority of cases, prime contractors who use M/WBEs on contracts with goals rarely use them or even solicit them on contracts without goals.

Anecdotal Evidence (Chapter VII)



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- M/WBE interviewees reported:
 - Discriminatory attitudes and negative perceptions and expectations of minorities' and women's competence
 - Workplace harassment
 - Not being paid on equal terms
 - Exclusion from industry and information networks
 - Discrimination in access to commercial loans, surety bonds & commercial insurance
 - Barriers to obtaining work on public & private sector contracts



- Race- & Gender-Neutral Recommendations:
 - Increase efforts to ensure prompt payment
 - Ensure bidder non-discrimination
 - Review surety bonding, insurance, & experience requirements
 - Increase contract unbundling
 - Enhance access to information about contract opportunities
 - Facilitate increased access to capital
 - Adopt a mentor-protégé program
 - Expand supportive services for M/WBEs
 - Implement a small local business reserve program

Recommendations (Chapter IX)



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- Race- & Gender-Conscious Recommendations:
 - Adopt a formal M/WBE program & regulations
 - Review certification standards in at accepted certifying agencies
 - Enhance Good Faith Efforts requirements & related policies
 - Adopt overall District-wide aspirational M/WBE goals
 - Count lower-tier M/WBE participation towards meeting goals
 - Set contract-specific goals
 - Ensure sufficient operational resources
 - Continue the Community Bond Oversight Committee
 - Waive retainage for small subcontractors where prudent
 - Ensure responsiveness & responsibility sanctions for non-compliance
 - Adopt an M/WBE program sunset review process



Questions & Answers