

Minority firms receive little state business in Kentucky

By KEN BERZOF
 kberzof@courier-journal.com
 The Courier-Journal

A state-commissioned study found that few businesses owned by minorities or women land Kentucky construction contracts and proposed that the governor require state offices to help the firms get state business.

Such firms won less than 2 percent of the money spent on capital construction jobs and just over 4 percent of spending on transportation contracts, according to a three-year study by the Atlanta law firm Griffin & Strong. The study concluded there was evidence of discrimination.

Leonard Gray, director of the Governor's Office of Minority Affairs, and Gordon Duke, secretary of the Finance and Administration Cabinet, said they would work to implement changes proposed by the law firm.

The study was commissioned by the Governor's Minority Employment, Business Affairs and Economic Development Council in response to a U.S. Supreme Court ruling that established standards for government use of race-based "set asides" for public contracting and purchasing.

Griffin & Strong, which conducted a similar study for Cincinnati, found that businesses owned by minorities or white women were awarded \$4.47 million, or 1.58 percent, of the \$283.4 million in state-funded capital construction projects reviewed from fiscal 1995 through

Minority firms get little business in Kentucky

Continued from Page One

fiscal 1999. The numbers were slightly better for transportation contracts, where, during the same time, such businesses were awarded \$119.7 million, or 4.14 percent, of the \$2.9 billion awarded.

Griffin & Strong compiled its data by drawing on state contract records and interviewing business people, contractors and public officials. The firm also analyzed contract bidders and census data to calculate disparities between the use of minority firms and their availability.

THE STUDY "is exactly what we've been saying for the past 20 years; this is nothing new," said the Rev. Louis Coleman, head of the Justice Resource Center in Louisville. "The state, historically and currently, has excluded African-American and minority businesses and contractors."

Derwin Webb, president and chief executive of the Kentuckiana Minority Supplier Development Council, said, "I'd like to think things are getting better, but the numbers don't show that."

"I'd like to see more commitments from agencies to companies of color in the procurement process, on the construction side as well as the professional side, such as architectural and engineering."

Webb also would like to see more minorities having access to the planning stages of projects.

WHERE THE MONEY WENT

According to a study of the 1995 through 1999 fiscal years, Kentucky state government awarded few contracts to minority- and women-owned businesses.

FISCAL YEAR	DOLLARS RECEIVED BY MINORITY, WOMEN-OWNED BUSINESSES	PERCENTAGE OF TOTAL	TOTAL SPENDING ON PROJECTS
CAPITAL CONSTRUCTION SPENDING			
1995	\$50,300	0.16%	\$31.2 million
1996	\$1.4 million	3.41%	\$41.5 million
1997	\$350,334	0.51%	\$68.5 million
1998	\$120,000	0.13%	\$93.1 million
1999	\$2.5 million	5.17%	\$49 million
TOTAL	\$4.5 million	1.58%	\$283.4 million
TRANSPORTATION CONSTRUCTION SPENDING			
1995	\$33.9 million	5.95%	\$569.6 million
1996	\$5.9 million	1.11%	\$530.3 million
1997	\$37 million	7.65%	\$483.3 million
1998	\$32.1 million	5.16%	\$621.7 million
1999	\$10.9 million	1.59%	\$688.1 million
TOTAL	\$119.7 million	4.14%	\$2.9 billion

Figures may not equal 100 percent because of rounding.

SOURCE: GRIFFIN & STRONG

BY DEVON MORGAN, THE COURIER-JOURNAL

The study recommended removing four barriers to businesses owned by minorities or women that seem to contribute to their low success rate: access to contracts, availability of money, obtaining bonding, and busi-

ness development and training.

Specifically, it urged the governor's office to centralize procurement efforts from the Finance and Administration Cabinet, Transportation Cabinet and Economic Development

Cabinet. The firm also recommended hiring more people to monitor programs and that the state review all contract specifications to make sure they don't favor certain companies to the exclusion of others.

Griffin & Strong said minority firms are being denied opportunities to bid on contracts, face burdensome contracting requirements, have difficulty raising money and are excluded from the "good old boy network."

In its conclusions, Griffin & Strong cited a study by the Milken Institute that said minority-owned firms are growing at a rate of 17 percent a year, six times the growth rate of all firms, and that economic growth cannot be sustained without an infusion of capital into those businesses.

"THE LOW LEVELS of utilization of minority and women-owned businesses by Kentucky is having and will continue to have a negative impact on the entire economy of the Commonwealth," Griffin & Strong said in its report.

In its recommendations, the study cited the success of the Louisville Community Development Bank and said the state and the bank should create a New Market Venture Capital and Business LINC program. The study also suggests implementing an aggressive program to assist small businesses owned by minorities or women in obtaining bonding and insurance.