



**COLORADO**  
Department of Local Affairs  
Division of Local Government



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# Identifying Barriers to Historically Underutilized Businesses in Local Government Procurement

## Colorado Revised Statute 29-1-1501

### SMART ACT REPORT

January 17, 2022



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**Identifying Barriers to Historically Underutilized Businesses in Local Government**  
**Procurement**  
**January 17, 2022**

### **Background**

Section 29-1-1501, of Colorado Revised Statute (C.R.S) requires the Department of Local Affairs (DOLA), to establish a pilot program to help local governments identify perceptual and substantial barriers to entry for historically underutilized businesses (HUBs) in local government procurement.

HUBs are defined as businesses that are at least 51% owned and controlled, in both the management and day-to-day business decisions, by one or more individuals who are:

- (A) United States citizens or permanent residents; and
- (B) One or more of the following:
  - (I) Members of a Racial or Ethnic Minority Group;
  - (II) Non-Hispanic Caucasian Women;
  - (III) Persons with Physical or Mental Disabilities;
  - (IV) Members of the Lesbian, Gay, Bisexual, and Transgender Community; or
  - (V) Veterans.

The Department was directed to establish a pilot program (also therein described as a pilot “project”) that includes at least five diverse local governments; and report the progress of the pilot project for the January 2022 SMART Act hearing.

### **Progress Report**

1) By August 13, 2021, DOLA secured the following pilot project participants:

1. Costilla County
2. Larimer County
3. Town of Bennett
4. City of Delta
5. Pagosa Area Water & Sanitation District
6. Town of Wiggins

2) To gain a fundamental assessment of barriers facing HUBs in local government procurement, DOLA collaborated with the University of Colorado-Denver’s School of Public Affairs. A student capstone project (attached) focused on the body of knowledge concerning underutilization of HUBs<sup>i</sup> and the requirements of HB21-1168 via qualitative analysis of the above participants’ procurement processes as well as ten other local governments (16 total). Below are some important challenges and opportunities identified by the study:



- A. If the 16 local governments analyzed are representative statewide, very few Colorado local governments actively employ strategies to address and minimize inequities in procurement. Those that employ a strategy tend to be very large, high-capacity local governments such as the City & County of Denver. Smaller, rural, and single purpose/utility-oriented local governments generally operate with limited administrative resources.
- B. The most frequently expressed barrier was absence of information or knowledge of existing HUBs and/or how to engage with them. Furthermore, jurisdictions throughout the state noted difficulties in receiving multiple bids for any project or need, and are often constrained by other local requirements when multiple bids do occur (i.e., must accept the lowest responsible bid).
- C. Surveyed local governments expressed a willingness to interact with HUBs and feel state government could provide some helpful mechanisms, such as: a centralized electronic platform advertising local government opportunities and RFPs, and a statewide HUB vendor list; insurance programs for vendors interacting with local governments in general; guidance/training/sample procurement policy; statutory guidance allowing preference of HUBs over other bidders (some expressed apprehension of showing unlawful favoritism).

The next stage of the HUB Pilot Program, due January of 2023, will concern the criteria described in C.R.S. 29-1-1503(2). The Division is likely to again utilize the assistance of the School of Public Affairs.

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<sup>i</sup> One important finding in the literature review is that the definition of "HUB" can be very fluid, making it difficult to study.

Historically Underutilized Businesses in Local Government Procurement and  
Contracting

Nic Carlson

University of Colorado Denver – School of Public Affairs

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PUAD 5563

Dr. Geoffrey Propheter

## **Executive Summary**

Colorado House Bill 21-1168 requires the Department of Local Affairs to establish a pilot program and conduct research regarding local governments and their utilization of historically underutilized businesses (HUBs) in contracting and procurement. This capstone consists of a review of current literature on the topic as well as a summary of interviews conducted with procurement managers statewide.

The purpose of this research is to assess how local governments in Colorado currently handle procurement and contracting regarding equity and HUBs. Research questions include:

1. What strategies do Colorado local governments use to address and minimize identified barriers among historically underutilized businesses in local government contracting and procurement?
2. What are perceived and structural barriers to entry by historically underutilized businesses in local government procurement as identified by local governments?
3. How can the State assist in minimizing barriers between HUB's and local governments in contracting and procurement?

To attempt answering these questions, a series of interviews was conducted with local government procurement managers across the State. Starting with volunteers identified by DOLA, snowball sampling was utilized to achieve a sample size of 16. Snowball sampling refers to a sampling method that utilizes referrals from participants to achieve an adequate sampling size. Demographic characteristics of participating

organizations were compared to those of the State to ensure that the sample provided an accurate representation of the State.

Interview responses indicate that very few, if any, local governments actively employ strategies to address and minimize inequities in procurement. Interview responses also indicate that local governments perceive that HUBs face unique barriers in public procurement including informational asymmetries, burdensome contractual obligations, and technical understanding of public procurement processes and policies. Participating organizations were able to identify opportunities for the State to assist in diminishing these barriers including hosting a statewide platform for publication of procurement opportunities, offering trainings to local government staffers and HUBs on procurement best practices, and maintaining a list of verified HUBs for local government use in soliciting proposals.

Alternative approaches are presented for each opportunity identified by participating procurement managers. Each approach involves enhanced use a centralized informational website provided by a Colorado State agency such as DOLA, while some require more involved staff time. DOLA Regional managers play a crucial role in implementing new programs as well as informing local governments of the inequities faced by HUBs in the public procurement process.

## Introduction

In the 2021 legislative session, the Colorado State Legislature passed House Bill 21-1688. This law requires that the Department of Local Affairs (DOLA) assemble a focus group of local governments to identify barriers faced by historically underutilized businesses in local government contracting. Historically underutilized businesses (HUBs) are defined by CO HB 21-1168 as businesses that are at least 51% owned and controlled, in both management and day-to-day business decisions, by one or more individuals who are: members of a racial or ethnic minority group, non-Hispanic Caucasian women, persons with physical or mental disabilities, members of the LGBT community, or Veterans.

The purpose of this research is to help DOLA fulfill the requirements of CO HB21-1168 by expanding on existing research and providing a localized context to barriers faced by historically underutilized businesses in government contracting and procurement in Colorado. In doing so, this capstone provides a brief summary of existing literature focusing on historic underutilization of women and minority owned businesses in public sector contracting at all levels. Historic barriers faced by these firms as well as common mitigation strategies used by local governments are also analyzed. Next, a summary of the qualitative methodology is provided as well as findings from interviews conducted with public procurement managers across the State. Finally, findings are compared to research questions and policy implications are discussed.

## Literature Review

Inequity in public procurement is a topic that has been well explored by existing literature. This portion of the capstone reviews existing literature to provide context on what is currently known about the topic, what barriers HUBs are faced with in the procurement process, and what strategies local governments have implemented to improve inequities and minimize barriers.

### **Historic Underutilization at the Federal Level**

Despite decades of federal policy aimed at reducing disparities among historically underutilized businesses in government contracting at all levels, as many as 65% of surveyed local governments show evidence of significant disparities between contracts awarded to HUB's and those awarded their counterparts (MDBA, 2016). The federal government has made strides in encouraging more diversity in state and local government contracting and procurement, but projects are ultimately held to the standards set by the state in which they occur, leading to substantial geographic disparities (Fairfield and Rose, 2018). Additionally, federal requirements for women and minority owned firm utilization in government projects vary based on the nature of projects and the agency overseeing them. Requirements imposed by the Federal Transportation Agency differ from those required by the department of Housing and Urban Development and others. While federal policy changes have resulted in some change, women-owned businesses have realized the majority of the benefits, leaving minority owned businesses behind (Fairfield and Rose, 2018).

Census data indicates that nationally approximately 24% of all businesses are minority owned, but those same businesses can expect to receive an average utilization rate of only 42% (USCB, 2018; Bangs, Murrell, and Constance-Huggins, 2007). The term utilization rate refers to the rate at which HUBs receive publicly funded contracts compared to their share of the businesses in the locale. A 42% utilization rate indicates that HUBs received 42% of the publicly funded projects as a proportion of their market share. While data exists at the Federal level, the spirit of CO HB21-1168 focusses on local government utilization. The next section provides context into local government tracking and utilization of HUB's.

### **Disparities at the Local Level**

Tracking disparities in local government contracting nationwide is cumbersome and fragmented. While there exists some data illuminating disparities on a nationwide level, accurate tracking is dependent on local governments and municipalities, many of whom lack the capacity to track projects in granular detail (MDBA, 2016). Many large cities and municipalities have solicited utilization studies to determine the rate at which HUBs are utilized in comparison to their counterparts, but these studies are typically quite costly and therefore only an option for governments who can afford them. Utilization in these studies typically refers to the engagement of HUB's that are both geographically present and capable of performing the work solicited by the local government.

A seminal nationwide utilization study conducted in 1997 by the Urban Institute indicated an estimated 57% of capable HUB's were awarded contracts, despite proving

their capability to produce the work and providing a proposal (Enchaustegui, 1997). Utilization studies from across the nation unveil similar disparities including major cities like Boston and New York City (Edelman & Azemati, 2017; MGT, 2018). More locally, a 2018 City and County of Denver utilization study indicated that this ratio has only increased to 63% (BBC, 2018). Additionally, a statewide study determined that HUBs in Colorado received only 8% of State contracted dollars, despite being available for roughly 28% of those same projects (Keen, 2020). Colorado is not alone however, utilization of HUB's in publicly funded projects is a demonstrated nationwide problem. Tracking utilization of HUB's is a necessary precursor to any improvements but identifying barriers limiting HUB's from engaging with local governments is a natural next step.

### **Barriers to Entry**

While utilization data is not readily available from many local governments statewide, there is a wealth of research that identifies barriers to entry for HUBs in public procurement and contracting. Some of the most common barriers noted by HUBs in local government contracting involve a lack of knowledge or understanding of proposal processes (Murrell et. al., 2018). Many HUBs express concerns of not having contacts or other channels of communication with local governments, creating informational asymmetries, and limiting opportunities for HUBs. Additionally, the complexities of public contracting and procurement can be confusing and arduous, deterring many HUBs from attempting to compete for projects (Edelman & Azemati, 2017). Finally, many HUBs report a perceived lack of fairness with public contracting

processes and believe spending time and resources preparing proposals to be fruitless endeavors (Murrell et al., 2018).

Another theme of barriers for HUBs in government contracting involves the capital required for many projects. Between strict insurance requirements, bond or deposit terms, and governments' inability to make timely payments, working with local governments can be quite costly for any firm, let alone those unfamiliar with the terrain (MDBA, 2016; Murrell et. al., 2018; Enchaustegui, 1997). Beyond technical barriers, burdensome contractual obligations also deter HUB's involvement in many public contracting processes.

### **Common Mitigation Efforts**

There are several commonly employed mitigation efforts that local governments across the Country have adopted. Starting with simply requiring more detailed tracking of the demographic background of contracted firms, some even have assigned personnel to monitor for disparities (King County, 2021). Others, like New York City have consolidated contract and procurement postings onto one single platform to help diminish informational asymmetries among potential vendors and contractors and to enhance communication (MGT, 2018). Boston has invested in hosting small business workshops wherein City staff guide potential vendors and contractors through the bidding process and provide one-on-one assistance in explaining contract and proposal requirements (Edelman & Azemati, 2017). Several local governments in the Minneapolis metropolitan area have partnered with a prominent nonprofit to provide

technical assistance, project marketing, and even access to capital to women and minority owned firms (Fairfield and Rose, 2018).

Other strategies commonly used by local governments involve changing the nature of projects to create more opportunities for HUBs. This can include segmenting large projects into smaller contracts that are more attainable for HUBs (Fairfield and Rose, 2018; MDBA, 2016; Edelman & Azemati, 2017), utilizing set asides to ensure that a minimum proportion or dollar amount of contracted projects are awarded to HUBs (Chatterji, 2014), or adopting bid preferences for either minority owned businesses themselves, or prime contractors that guarantee their use as subcontractors (Shelton & Minniti, 2017).

### **Statement of Purpose**

Because state and local government projects often have the capacity to be both self-funded and subsidized by federal government, they are uniquely situated to improve utilization of HUB's. Local governments are more flexible in their contracting and procurement policies than the Federal government, as well as more attuned to their local labor supply and opportunities for reductions in said disparities (MDBA, 2016). Finally, state and local governments projects have the potential to create spillover effects in diminishing disparities. Once an HUB has successfully completed one or more projects for a local government, they are more competitive and more likely to apply for and be awarded future local government jobs (Fairfield and Rose, 2018). State and local government procurement and contracting policies have the potential to be a catalyst for reducing disparities among HUB's beyond simply public works projects.

Beyond a lack of tracking implemented by local governments, existing literature indicates that significant barriers exist that prevent HUB's from realizing equitable utilization in local government projects. Additionally, many local governments have implemented creative ways of minimizing these barriers and improving utilization of HUB's. The purpose of this capstone is to identify similar barriers and opportunities for improved utilization among Colorado local governments. This capstone addresses this topic with the following research questions:

1. What strategies do Colorado local governments use to address and minimize identified barriers among historically underutilized businesses in local government contracting and procurement?

Answers to this question will help State government better understand if and/or how local governments attempt to better utilize HUBs in their own contracting and procurement processes. Answers to this research question may identify similarities among Colorado local government processes and areas for improvement among local governments statewide.

2. What are perceived and structural barriers to entry by historically underutilized businesses in local government procurement as identified by local governments?

This research question attempts to identify barriers for HUBs in public procurement in a localized context. This research question focuses on the perceived barriers that HUBs face in their interactions with local governments. If the eventual goal of this legislation is to minimize those barriers, answers to this question may identify ways that the State could help local governments connect to HUBs directly.

3. How can the State assist in minimizing barriers between HUB's and local governments in contracting and procurement?

Similar to the last question, this research question asks participants to identify areas for improvement among local governments rather than the HUBs themselves. Because State departments like DOLA are heavily involved with local governments statewide, opportunities may be more abundant with local governments than with HUBs themselves. The next section describes the approach taken in attempting to answer these research questions.

### **Methodology**

A qualitative approach was employed in attempting to answer the research questions above. This approach relied exclusively on interviews with local government officials who oversee and manage their organizations contracting and procurement processes. Initial interviewees were selected by DOLA as required by CO HB 21-1168, then snowball sampling was employed using referrals to reach a statistically significant number of participants. While 25 local governments in total were contacted, participants from only 16 were available for interviews. The research questions were addressed directly in interview questions as noted below, a script of interview questions is provided in appendix B.

**RQ1 – What strategies do Colorado local governments use to address and minimize identified barriers among historically underutilized businesses in local government contracting and procurement?**

Answers to interview questions 1 and 2 primarily addressed this research question. If an interviewee indicated that their organization does not collect data on their utilization of HUBs, or that their organization does not actively employ any strategies to better engage HUBs in their procurement process, it was noted. Alternatively, if an interviewee noted that their organization utilized a specific vendor list or strategically structured their procurement process to provide more opportunities for HUBs, those responses were also considered relevant.

**RQ2 – What are perceived and structural barriers to entry by historically underutilized businesses in local government procurement as identified by local governments?**

Interview question 3 directly asks this question, though some responses to questions 2 and 4 were also relevant. For example, if a participant were to respond that they did not identify any barriers for HUBs, but then list barriers for small businesses in general, these responses were considered relevant. One participant noted “I don’t know about barriers to Historically Underused Businesses, but small businesses seem to not understand our bid process”, answers like this were considered relevant because the participant was ultimately speaking about barriers. Interviewees often framed their responses around small businesses rather than HUBs. When necessary, interviewees were reminded to focus on barriers experienced by HUBs rather than just small businesses.

### **RQ3 – How can State departments like DOLA assist in minimizing barriers between HUBs and local governments in contracting and procurement?**

Answers to interview question 5 were primarily used to answer this research question. However, often there were ideas from interview question 4 that were also relevant. For example, if an interviewee gave a response stating that their organization was interested in improving their utilization of HUBs but wasn't sure how, they were asked if they would find the State's assistance in the matter helpful. Affirmative responses were considered relevant. Additionally, after identifying opportunities for improvement within their own organization, many respondents noted that help from a third party could be helpful, these responses were also considered relevant answers to this research question.

While the research design is intended to provide high levels of validity and reliability, there are minor threats to both. First, while the act of interviewing local government officials will likely always be replicable, interviewees can and will change with transitions in staffing among local governments. The largest threat to the accuracy of this research is the quality of the answers received by interviewees. To mitigate this threat, questions were repeated if the interviewer felt that they were not understood. The findings from this research are generalizable only to local governments in the State of Colorado. Because Colorado has unique fiscal policies that have a direct impact on contracting, it would be inappropriate to extrapolate these findings beyond the State's borders.

## Findings

Interviews were all structured using the questions noted in appendix B, and typically lasted between 30-45 minutes. Interviewees were informed that their organizations would be noted as participants in this research, but that their answers would be kept confidential. The 16 participants were comprised of 2 Special Districts, 3 Counties, 4 Cities, 7 Towns. Aggregate demographic statistics for the participating governments are presented in the table below:

<b>Table 1 - Demographics of Participant Governments</b>		
Demographic Characteristic	Participants	Colorado
Percent White	87.90%	86.90%
Percent with Highschool Education	90.90%	91.70%
Median Household Income	\$50,823.00	\$72,331.00
Median Home Value	\$223,500.00	\$343,000.00
Median Percent of Minority Owned Businesses	11.13%	15.70%

Table 1 summarizes demographic characteristics of participant local governments compared to those of the State. Census data was used to identify the characteristics of each participating local government. These five metrics were selected in an attempt to compare the racial and economic composition of the participating local governments against those of the State of Colorado. Because the size of participating local governments ranged widely between small special districts and larger cities/counties, metrics specific to the operation of the local governments themselves were avoided.

57% of participating local governments were considered rural based on Census Data MSA definitions. Because snowball sampling was employed, a larger share of

small municipalities and rural communities were interviewed. This resulted in participating organizations typically having lower median home values and lower median household incomes.

Because Census data does not provide a distinct metric that perfectly aligns with the definition provided in CO HB 20-1168 for historically underutilized businesses, the percentage of minority owned businesses for each participating government was used as a proxy for HUBs within each community. This is the largest difference, and it primarily due to the number of rural and small communities that participated in the study. Additionally, median home value and median household income metrics are lower than the State average, which is also likely due to the rural nature participants.

**RQ1: What strategies do Colorado local governments use to address and minimize identified barriers among historically underutilized businesses in local government contracting and procurement?**

Of the interview participants, 15 noted that their organizations do not collect any form of data on the private ownership of their private sector contractors or vendors. The one interviewee whose organization did collect data noted that their organization does not use that data to track utilization of HUBs. Similarly, none of the 16 interviewees indicated that their organizations employ strategies to promote the engagement of HUBs in their contracting and procurement processes.

Most interviewees seemed surprised by this question and nearly all participants noted their organization's difficulties with obtaining multiple bids at all, let alone bids from a diverse vendor pool. 11 of the 16 interviewees noted staff time as the main

hindrance for not employing such strategies, while the remaining 5 noted that their organizations had never considered developing such strategies.

A significant number of the participants (4) noted that their organizations were hesitant to engage in promoting the engagement of HUBs due to perceived legal ramifications and the potential to be inadvertently discriminatory. These interviewees expressed hesitancy to actively seek out and improve utilization of HUBs due to concerns that doing so may result in lawsuits filed against their organization for providing unfair advantages to HUBs. This finding is significant as two of the commonly used mitigation efforts nationwide include bid preferences or set asides which involve this fear noted by participants.

7 of the 16 participants noted that their organizations lacked knowledge of HUBs in their communities and how to communicate opportunities to them. These participants noted perceived language barriers and communication difficulties between their organization and HUBs within their community, as well as a general lack of knowledge regarding the existence of HUBs and their proportion of the larger vendor pool.

**RQ2: What are perceived and structural barriers to entry by historically underutilized businesses in local government procurement as identified by local governments?**

While none of the participating organizations actively employ strategies to engage HUBs in their contracting and procurement processes, interviewees provided rich feedback for identified barriers. Three interviewees did not identify any significant barriers for HUBs in their organizations' contracting and procurement processes. Two

cited language barriers and communication failures as barriers to engagement of HUBs. These participants noted that they perceived potential communication barriers between HUBs and local governments due to differences in language and technical/project related lexicon.

Four participants identified the public contracting process and lack of experience by HUBs as a major barrier. Additionally, contract requirements like insurance requirements and insurance bonds were noted as a barrier by 4 participants. However, the most common barrier cited by participants was knowledge of opportunities. Half of the participants interviewed believed that HUBs are likely not aware of opportunities to work with their organization. Every one of these participants noted that opportunities are posted on a website or published in a local newspaper as required by law, but none indicated that they had actively communicated opportunities to local HUBs.

**RQ3: How can the State of Colorado assist in minimizing barriers between HUBs and local governments in contracting and procurement?**

The last portion of the interview asked participants to reflect on their prior answers and contemplate ways that State government could assist in diminishing barriers between their organizations and HUBs in procurement and contracting. Answers are summarized in the table below.

<b>Table 2 – Participant Suggestions</b>	
<b>State Provided Resource</b>	<b>Times Noted</b>
State-funded insurance program for HUBs/small businesses	1
Sample procurement process/best practices guidance	3
Staff coaching for local governments	5
Training sessions for HUBs locally	5
HUB vendor/contractor list	7
Single statewide platform for RFPs/opportunities	7
Did not believe resources from State/DOLA would be helpful	1

Table 2 summarizes suggestions offered by interviewees when asked how State government could help their organization better engage or minimize barriers for HUBs. While one participant did not believe that the State could provide any value to their organization's attempts at improving utilization of HUBs, all the others provided valuable suggestions. One suggestion involved a State-funded insurance program that would be available to HUBs and other small businesses for use in meeting some of the strict insurance requirements often included in public works projects. Three participants felt that guidance or even a sample procurement policy from DOLA or other State agencies on best practices in procurement would be beneficial. Next, 5 participants noted that training would benefit their staff in understanding how to develop procurement policies and processes more inclusively and how to navigate corresponding legal concerns. Additionally, 5 participants noted that training sessions or workshops for HUBs focused

on public procurement may help those businesses in their community to better understand processes.

The most common suggestions were a verified vendor list and a statewide platform for opportunities and RFPs. Participants noted that a list of verified HUBs would be useful in outbound communication of opportunities to work for their organizations. Similarly, 7 participants noted that DOLA or another State agency could provide value to their organization by hosting a single platform for publication of RFPs and similar public procurement opportunities.

## **Discussion**

The primary focus of this research was to gauge how Colorado local governments engage HUBs in their contracting and procurement processes. The interview responses indicate that most participant governments do not place a high priority on promoting the engagement of HUBs in their routine contracting processes. Reasons for not promoting engagement of HUBs included concern of limited staff time and resources, limited knowledge of the problem, and concerns of legal ramifications. To the contrary, nearly every participant noted that their organizations' top priority in contracting and procurement process was finding the best value for tax dollars spent. However, interviews uncovered areas for improvement in procurement moving forward.

One of the most identified barriers for HUBs was general knowledge of local government opportunities. Similarly, one of the largest grievances noted by participants in their discussion of contracting was a lack of vendor diversity. Colorado State government may be able to alleviate the lack of vendor diversity while also promoting

inclusion of HUBs by simply providing a centralized statewide platform for local governments to publish RFPs and other contracting opportunities, for example within DOLA's website. All the participating organizations noted their use of BidNet, a private website used to publish opportunities by local governments. It seems that a State agency like DOLA could provide a similar platform on their website that may be more tailored to the needs of Colorado's local governments and vendors.

This website could come in the form of a single statewide website, or it could be separated by region. While a regionally structured website may take more time and resources to assemble, it may prove more efficacious given Colorado's unique geography and the major differences between regions. Alternatively, a statewide website may be more easily navigated by vendors and local governments.

Another common response from local governments was a lack of familiarity with HUBs in their community. Many local governments identified a verified contractor list as one of the ways the State could help their organization diminish barriers. This list could be accomplished in two ways. First, the State could verify self-nominated HUBs and maintain a list that could be distributed to local governments. While this may be the more easily accomplished, it is not likely to provide the best results given the informational asymmetries between HUBs and local governments previously discussed. Alternatively, information from the Secretary of State's office could be used to identify HUBs throughout the State based on business licenses. The State could then use this information to maintain a list that could be provided to local governments upon request. This option would certainly be more resource intensive, but it may also be more effective than the self-nomination alternative.

More than half of interviewees noted that there was a desire to better promote contracting opportunities with HUBs within their organization but expressed lack of institutional knowledge of how to promote said engagement without facing legal ramifications. Trainings on procurement processes and policies could seemingly be added to DOLA's fleet of services provided to local governments to both quell fears of legal ramifications and to inform willing local governments of best practices in contracting. Trainings could be offered as a traditional in-person training of local government staff by State subject matter experts, or a department such as DOLA could rely on their regional managers to directly offer resources to executives of local governments. In person trainings may be more effective and thorough but would likely require more resources. On the other hand, regional managers may have the relational capital with local governments to increase buy-in.

A common perceived barrier for HUBs was a lack of understanding and experience with public procurement processes. A State government partnership with local governments to host training sessions for local businesses to review and navigate the nuances of procurement processes may help. These trainings could come in the format of resources posted on a centralized State website for HUB's use, or as more traditional workshops hosted within communities. While posting resources online may be a more cost-effective solution, research from Boston (Edelman & Azemati, 2017) has demonstrated that training workshops for HUBs can be successful in driving better utilization.

Additionally, a common concern among many of the participants were potential legal ramifications of offering bid preferences or preferential procurement policies to

enhance the utilization of HUBs. The State Legislature or a State level agency like DOLA could be leveraged to provide local governments with better training and resources to quell these concerns. When paired with trainings on improved procurement and contracting processes in general, these resources could prove fruitful in minimizing disparities and mitigating barriers for HUBs in public procurement.

Finally, a considerable number of interviewees were unclear of how HUBs were determined to be historically underutilized. These interviewees seemed skeptical that the businesses included in the CO HB 21-1168 definition of HUBs were truly underutilized. It is worth noting that there is a political component to this issue, and that some local governments may not perceive it as a problem. Before implementing too many changes or new programs, the State Legislature should consider an educational campaign to help local governments better understand the nature of HUBs and the lack of equity they face in public procurement. The 2018 statewide disparity study may prove to be a powerful tool in educating local governments on the topic. This informational campaign could be conducted through standard forms of communication between a dedicated State agency and local governments including emails, newsletters, or even sessions hosted at relevant conferences. The relational capital held by regional managers could again be leveraged in this endeavor to increase buy-in and understanding from otherwise skeptical local governments.

## **Limitations**

While this research uncovered opportunities for improvement to local government procurement processes statewide, limitations should be noted. First, the sample size for

this research is smaller than anticipated. Between a very busy Fall season with local government participants and a truncated timeline for interviews, only roughly half of the desired interviews were conducted. Further, because the methodology for this research relied on snowball sampling, the participant organizations trended towards smaller rural communities. While Denver has a published utilization study noted in the literature review section above, none of the larger cities in Colorado were included in this process. Further research should focus on comparing procurement processes between urban and rural communities to explore that missing element. Finally, the temporal nature of this research is an important consideration; between global supply chain disruption, historical labor shortages, and the post COVID economy, 2021 is a unique time for procurement globally.

## Conclusion

Disparities of historically underutilized businesses in local government contracting and procurement is not unique to Colorado. Utilization studies from across the nation indicate that the problem defined in this capstone exists from coast to coast, regardless of locale. However, creative strategies for mitigating barriers and minimizing underutilization of these firms are similarly employed across the nation.

This capstone provided a summary of existing literature that validates the claim that inequity exists for HUBs in public procurement. Additionally, mitigation efforts and best practices that have been successfully implemented by local governments were identified. Finally, in depth interviews with 16 local government procurement managers from across Colorado were conducted to gauge current practices within the State.

Interview responses indicate that very few, if any, local governments in Colorado are tracking their utilization of HUBs or employing strategies to mitigate inequities and barriers faced by HUBs in procurement processes.

However, several areas for improvement were identified by participants. Many of the identified areas involve opportunities for Colorado State government to assist local governments in minimizing barriers faced by HUBs. Enhanced communication, staff training, a statewide platform for bidding opportunities, and a verified vendor list were among the areas for improvement most cited by participants. Though this research was limited in size, the findings will assist DOLA in fulfilling the requirements of CO HB21-1168 and addressing diversity in procurement across the State.

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**Appendix A**  
Participant Organizations

1. Willows Water District
2. City of Durango
3. City of Castle Pines
4. Town of Fruita
5. Pagosa Area Water and Sanitation District
6. Town of Wiggins
7. City of Gunnison
8. Larimer County
9. Costilla County
10. Town of Hayden
11. Town of Limon
12. Town of Lamar
13. Town of Bennett
14. City of Delta
15. Alamosa County
16. Town of Superior

## **Appendix B**

### Interview Questions

1. How does your organization collect data on the ownership of private companies which whom your organization contracts with or procures goods from?
2. What strategies does your organization employ for engaging or promoting the participation of historically underutilized businesses in your procurement and contracting processes?
3. As a procurement professional, what barriers (if any) do you identify for historically underutilized businesses in your organization's procurement and contracting processes?
4. What administrative or procedural improvements do you suggest to minimize identified barriers for historically underutilized businesses in your own, or other, procurement processes?
5. In what ways do you think DOLA could assist your organization in minimizing barriers for HUBs in your organization's contracting and procurement processes?