TABLE 6.7

PROFESSIONAL/OTHER SERVICE FIRM RESPONDENTS WHO INDICATED THAT THEY HAD EXPERIENCED AT LEAST ONE INSTANCE OF DISCRIMINATION IN BUSINESS DEALING

(Number of Responses in Parentheses)

Business Dealing	African American	Hispanic	Asian	Native American	Total Minorities[1]	White Women	Total HUBs
Applying for commercial loans	32.6 % (386)	17.0 % (676)	14.7 % (129)	13.4 % (67)	21.5 % (1278)	9.0 % (864)	16.5 % (2142)
Applying for commercial insurance	19.4 (356)	7.9 (647)	12.6 (127)	1.5 (66)	11.4 (1215)	4.0 (832)	8.4 (2047)
Dealing with professional associations	22.7 (366)	11.6 (658)	15.1 (126)	10.4 (67)	15.4 (1237)	6.7 (838)	11.9 (2075)
Bidding or working on State prime contracts	20.4 (373)	11.9 (663)	14.8 (128)	9.1 (66)	14.8 (1251)	6.3 (857)	11.3 (2108)
Bidding or working on State subcontracts	14.2 (360)	9.6 (656)	12.0 (125)	10.8 (65)	11.3 (1226)	4.1 (845)	8.4 (2071)
Receiving payment for prime contracts	8.3 (361)	4.5 (650)	4.1 (123)	3.1 (65)	5.5 (1219)	2.6 (840)	4.3 (2059)
Receiving payment for subcontracts	9.7 (360)	5.4 (652)	3.2 (124)	3.1 (65)	6.4 (1221)	3.1 (843)	5.0 (2064)

Note: [1] Total minorities figure includes minority respondents who answered that they were a minority-owned firm but did not indicate their specific race group.

Source: Based on NERA's HUB mail survey conducted in May 1994. See services survey question 3 in Appendix G.

TABLE 6.8

PROFESSIONAL/OTHER SERVICES FIRM RESPONDENTS WHO INDICATED THAT BID REQUIREMENTS MADE IT HARDER OR IMPOSSIBLE TO OBTAIN AN AWARD

(Number of Responses in Parentheses)

Bid Requirement	African American	Hispanic	Asian	Native American	Total Minorities[1]	White Women	Total HUBs
Credit Requirements	33.1 % (236)	18.7 % (390)	16.7 % (84)	13.6 % (44)	22.7 % (772)	13.0 % (501)	18.9 % (1273)
Insurance Requirements	39.9 (253)	31.9 (398)	29.4 (85)	35.4 (48)	34.1 (803)	24.6 (516)	30.4 (1319)
Large Project Size	53.3 (240)	41.1 (392)	52.4 (84)	40.9 (44)	46.5 (777)	34.7 (501)	41.9 (1278)
Cost of Completing Proposals	66.7 (123)	59.0 (205)	50.0 (46)	72.7 (22)	61.4 (407)	59.6 (213)	60.8 (620)
Obtaining Working Capital	56.1 (246)	38.9 (391)	36.9 (84)	39.1 (46)	44.2 (787)	22.5 (510)	35.7 (1297)
Length of Notification for Proposal Deadlines	65.4 (136)	52.2 (207)	62.2 (45)	54.5 (22)	57.8 (422)	62.1 (240)	59.4 (662)
Prequalification Requirements (e.g. experience)	42.6 (251)	34.1 (396)	48.9 (88)	37.0 (46)	38.5 (798)	22.4 (509)	32.2 (1307)
Previous Dealings with the State	21.6 (245)	19.0 (399)	33.3 (87)	17.4 (46)	21.6 (796)	11.1 (513)	17.5 (1309)

Note: [1] Total minorities figure includes minority respondents who answered that they were a minority-owned firm but did not indicate their specific race group.

Source: Based on NERA's HUB mail survey conducted in May 1994. See services survey question 3 in Appendix G.

of discriminatory treatment (44.8 percent), followed by Native Americans (24.4 percent), Hispanics (19.6 percent), Asians (16.5 percent) and white women (9.7 percent). Table 6.9 reports the business dealings in which HUB commodity firms reported discrimination. The areas in which minorities most frequently reported discrimination were applying for commercial loans and receiving lines of credit from manufacturers or suppliers. Over 16 percent of the minority-owned commodity firm respondents reported discriminatory experiences in each of these areas.

Finally, Table 6.10 summarizes responses concerning bid requirements that made it difficult or impossible for HUB commodity firms to obtain awards. The bid requirements mentioned most frequently by HUBs were length of notification for bid deadlines, cost of completing bids and obtaining working capital. Minorities also expressed difficulty with insurance requirements (30.3 percent).

B. The Non-HUB Survey

To obtain the perspective and perceptions of a sample of non-HUB vendors, we sent out a second survey. We obtained the addresses for 4,855 vendors from two sources: we obtained roughly 100 names of construction firms from the directory of the Texas Association of General Contractors (AGC), and we selected the rest at random from the combined set of non-HUBs in the State's vendor data and the GSC's bidders list. We sent surveys to all of these firms, but only 4,260 surveys were delivered.[220] Of the delivered surveys, we received 804 responses (19 percent) from non-HUBs. Of the 804 responses, 436 were construction firms, 134 were commodities firms and 234 were professional and other service firms. Therefore, the response rate was 24 percent of delivered surveys

[220] The set of delivered surveys consisted of 1,820 construction firms, 1,575 professional and other services firms and 865 commodity purchasing firms.

TABLE 6.9

COMMODITY FIRM RESPONDENTS WHO INDICATED THAT THEY HAD EXPERIENCED AT LEAST ONE INSTANCE OF DISCRIMINATION IN BUSINESS DEALING

(Number of Responses in Parentheses)

Business Dealing	African American	Hispanic	Asian	Native American	Total Minorities[1]	White Women	Total HUBs
Applying for commercial loans	35.5 % (220)	13.6 % (471)	10.3 % (116)	18.2 % (44)	18.9 % (885)	5.3 % (836)	12.3 % (1721)
Applying for commercial insurance	17.8 (202)	6.4 (456)	2.7 (112)	4.8 (42)	8.3 (842)	2.5 (826)	5.5 (1668)
Obtaining quotes from suppliers	24.5 (212)	8.4 (462)	6.8 (117)	7.0 (43)	12.2 (869)	3.9 (831)	8.1 (1700)
Receiving volume discounts from manufacturers or suppliers	26.9 (208)	9.2 (455)	7.8 (115)	11.9 (42)	13.6 (853)	4.6 (821)	9.2 (1674)
Receiving lines of credit from manufacturers or suppliers	33.0 (215)	11.4 (458)	6.2 (113)	9.5 (42)	16.3 (861)	4.2 (818)	10.4 (1679)
Attempting to secure State contracts	25.0 (220)	8.7 (462)	10.3 (117)	9.5 (42)	13.1 (877)	4.3 (835)	8.8 (1712)

Note: [1] Total minorities figure includes minority respondents who answered that they were a minority-owned firm but did not indicate their specific race group.

Source: Based on NERA's HUB mail survey conducted in May 1994. See commodities survey question 3 in Appendix G.

TABLE 6.10

COMMODITY FIRM RESPONDENTS WHO INDICATED THAT
BID REQUIREMENTS MADE IT HARDER OR IMPOSSIBLE TO OBTAIN AN AWARD

(Number of Responses in Parentheses)

Bid Requirement	African American	Hispanic	Asian	Native American	Total Minorities[1]	White Women	Total HUBs
Credit Requirements	40.3 % (159)	19.2 % (234)	15.3 % (85)	15.4 % (26)	25.1 % (526)	9.9 % (566)	17.2 % (1092)
Insurance Requirements	41.2 (160)	27.4 (237)	25.3 (87)	14.8 (27)	30.3 (534)	15.4 (573)	22.6 (1107)
Large Volume PO/BPOs	34.8 (158)	24.7 (227)	25.6 (86)	17.4 (23)	27.5 (517)	21.5 (562)	24.4 (1079)
Cost of Completing Bids	53.6 (69)	51.9 (104)	40.6 (32)	57.1 (14)	51.9 (233)	48.8 (205)	50.5 (438)
Obtaining Working Capital	61.4 (158)	35.7 (230)	20.0 (85)	24.1 (29)	40.0 (525)	21.9 (566)	30.6 (1091)
Length of Notification for Bid Deadlines	62.3 (77)	54.3 (129)	51.1 (47)	45.5 (11)	55.8 (274)	54.4 (252)	55.1 (526)
Previous Dealings with the State	20.9 (158)	20.2 (233)	10.6 (85)	7.7 (26)	17.5 (525)	6.1 (573)	11.6 (1098)

Note: [1] Total minorities figure includes minority respondents who answered that they were a minority-owned firm but did not indicate their specific race group.

Source: Based on NERA's HUB mail survey conducted in May 1994. See commodities survey question 3 in Appendix G.

in construction, 15 percent of delivered surveys in commodities and 15 percent of delivered surveys in professional and other services.

The survey asked questions similar to those we had asked HUBs about how certain aspects of procurement affect their ability to obtain State contracts. Tables 6.11-6.13 compare the responses of HUBs and non-HUBs to the question of whether each aspect of procurement made it "harder" or "impossible" to obtain an award. These table also report the ratio (times 100) of the percent of non-HUBs that reported that the procurement requirement made their experience more difficult to the comparable percent of HUBs. A ratio of less than 100 indicates that HUBs find that aspect of procurement more problematic than do non-HUBs. For example, as shown in Table 6.11, 22.3 percent of non-HUBs in construction report that bonding requirements make it harder or impossible to obtain an award compared to 47.0 percent for HUBs in construction. The disparity index is therefore 47.4 ([22.3 / 47.0] x 100).

It is possible, of course, that HUBs find these aspects of State procurement more difficult because they are smaller or newer firms than non-HUBs, not because of direct discrimination. To test this hypothesis, we examined whether these aspects of State procurement make it harder for HUBs than for non-HUBs to obtain an award, given same firm characteristics (i.e., firm age, employment and total revenues). We conducted a series of "ordered probit" regressions.[221] The dependent variable was the ordinal ranking (2—help me, 3—no effect, 4—makes it harder, and 5—makes it impossible) of the aspect of procurement under consideration. The independent variables consisted of the age of the firm, the number of employees, and an indicator variable for firms with $200,000 or more in revenues.

---

[221] See William H. Greene, *Econometric Analysis*, Macmillan, 1990, pp. 703-7.

TABLE 6.11

COMPARISION OF NON-HUB AND HUB SURVEY RESPONSES CONSTRUCTION FIRMS

Requirement	Percent of Respondents that Indicated that Bid Requirements Made it Harder or Impossible to Obtain an Award		Ratio of Non-HUB Response to HUB Responses
	Non-HUBs[1] (1)	HUBs[2] (2)	(1)/(2) (3)
	Percent		
Bonding Requirements	22.3 %	47.0 %	47.4
Insurance Requirements	14.5	35.7	40.5
Large Project Size	34.6	48.3	71.6
Cost of Completing Bids	55.8	65.6	85.1
Obtaining Working Capital	18.6	51.0	36.4
Length of Notification for Bid Deadlines	67.6	61.3	110.4
Prequalification Requirements (e.g. experience)	14.1	32.8	42.9
Previous Dealings with the State	8.8	15.6	56.3

Note: [1] Non-HUBs are defined as firms owned by white males.
[2] HUBs include firms owned by African Americans, Hispanics, Asian Americans (Asian Pacific and Asian Indian), Native Americans, and white women.

Source: Based on NERA's HUB and non-HUB mail surveys conducted in May and August of 1994.

TABLE 6.12

COMPARISION OF NON-HUB RESPONSES AND HUB RESPONSES COMMODITIES FIRMS

Requirement	Percent of Respondents that Indicated that Bid Requirements Made it Harder or Impossible to Obtain an Award		Ratio of Non-HUB Response to HUB Responses
	Non-HUBs[1] (1)	HUBs[2] (2)	(1)/(2) (3)
	Percent		
Credit Requirements	7.1 %	17.2 %	41.5
Insurance Requirements	11.1	22.6	49.2
Large Volume PO/BPOs	14.5	24.4	59.7
Cost of Completing Bids	0.0	50.5	0.0
Obtaining Working Capital	10.7	30.6	35.0
Length of Notification for Bid Deadlines	42.3	55.1	76.7
Previous Dealings with the State	0.0	11.6	0.0

Note: [1] Non-HUBs are defined as firms owned by white males.
[2] HUBs include firms owned by African Americans, Hispanics, Asian Americans (Asian Pacific and Asian Indian), Native Americans, and white women.

Source: Based on NERA's HUB and non-HUB mail surveys conducted in May and August of 1994.

TABLE 6.13

COMPARISION OF NON-HUB RESPONSES AND HUB RESPONSES SERVICE FIRMS

Requirement	Percent of Respondents that Indicated that Bid Requirements Made it Harder or Impossible to Obtain an Award		Ratio of Non-HUB Response to HUB Responses
	Non-HUBs[1] (1)	HUBs[2] (2)	(1)/(2) (3)
	Percent		
Credit Requirements	6.3 %	18.9 %	33.2
Insurance Requirements	16.5	30.4	54.3
Large Project Size	23.4	41.9	55.9
Cost of Completing Proposals	53.3	60.8	87.7
Obtaining Working Capital	8.4	35.7	23.6
Length of Notification for Proposal Deadlines	43.2	59.4	72.8
Prequalification Requirements (e.g. experience)	19.6	32.2	60.8
Previous Dealings with the State	12.1	17.5	69.3

Note: [1] Non-HUBs are defined as firms owned by white males.
[2] HUBs include firms owned by African Americans, Hispanics, Asian Americans (Asian Pacific and Asian Indian), Native Americans, and white women.

Source: Based on NERA's HUB and non-HUB mail surveys conducted in May and August of 1994.

Tables 6.14 through 6.16 report the sign and statistical significance of the results. In the columns headed "specific groups versus non-HUBs," we tested the responses of each race and sex group against the responses of non-HUB firms. In these cases, a "+" indicates that HUBs had more difficulty than non-HUBs with similar firm characteristics, and a "-" indicates that HUBs had less difficulty than non-HUBs with similar firm characteristics. A "*" indicates that the difference was statistically significant. The column headed "HUBs versus non-HUBs," reports the results of testing the responses of HUBs as a group against those of non-HUBs; this test shows whether HUBs have more difficulty than non-HUBs in general.

As shown in the construction tables, we find that requirements such as bonding, insurance, large project size, the cost of completing bids, obtaining working capital, and prequalification requirements cause greater difficulties for HUBs than for similar non-HUBs. In commodity purchasing, non-HUBs report more difficulty with credit requirements and large volume purchase orders than do HUBs, but other bid requirements—insurance, cost of completing bids, obtaining working capital, length of notification for bid deadlines and previous dealings with the state—cause HUBs more difficulty than non-HUBs. Asian firms experienced greater difficulty than non-HUBs with credit and insurance requirements, cost of completing bids, length of notification for bid deadlines and previous dealings with the State. Insurance requirements, obtaining working capital, and length of notification of bid deadlines were reported more frequently as obstacles by firms owned by white women relative to similar non-HUBs. Hispanic firms experienced more difficulty than non-HUBs with all bid requirements except credit requirements and large volume purchase orders. African-American firms consistently reported more difficulties than non-HUBs with all bid requirements in commodity purchasing.

TABLE 6.14

ORDERED PROBIT REGRESSION RESULTS FOR CONSTRUCTION FIRMS

Bid Requirement	*Specific Groups versus non-HUBs*					*HUBs versus non-HUBs*
	African American	Hispanic	Asian[1]	Native American	White Women	Total HUBs
Bonding Requirements	+ *	+ *	+ *	+ *	+	+ *
Insurance Requirements	+	+ *	+	+ *	+	+ *
Large Project Size	+	+ *	+ *	+	+ *	+ *
Cost of Completing Bids	+	+ *	+	+	+	+ *
Obtaining Working Capital	+ *	+ *	+ *	+	+	+ *
Length of Notification for Bid Deadlines	-	-	-	+	-	- *
Prequalification Requirements (e.g. experience)	+ *	+ *	+ *	+ *	+	+ *
Previous Dealings with the State	+ *	+ *	-	+	-	+ *

Note: [1] Includes Asian Pacific and Asian Indian.
An asterisk (*) indicates that the disparity is statistically significant at the five percent level or better.
A plus (+) indicates that a group is more likely than non-HUBs to experience difficulty with bid requirements.
A minus (-) indicates a group is less likely than non-HUBs to experience difficulty.

Source: Based on NERA's HUB mail survey conducted in May 1994.

TABLE 6.15

ORDERED PROBIT REGRESSION RESULTS FOR COMMODITIES FIRMS

Bid Requirement	*Specific Groups versus non-HUBs*					*HUBs versus non-HUBs*
	African American	**Hispanic**	**Asian[1]**	**Native American**	**White Women**	**Total HUBs**
Credit Requirements	+ *	-	+	-	-	- *
Insurance Requirements	+ *	+	+	+	+	+ *
Large Volume PO/BPOs	+	-	-	-	-	- *
Cost of Completing Bids	+	+	+	+	-	+ *
Obtaining Working Capital	+ *	+	-	+	+	+ *
Length of Notification for Bid Deadlines	+	+	+	+	+	+ *
Previous Dealings with the State	+ *	+ *	+	+	-	+ *

Note: [1] Includes Asian Pacific and Asian Indian.
An asterisk (*) indicates that the disparity is statistically significant at the five percent level or better.
A plus (+) indicates that a group is more likely than non-HUBs to experience difficulty with bid requirements.
A minus (-) indicates a group is less likely than non-HUBs to experience difficulty.

Source: Based on NERA's HUB mail survey conducted in May 1994.

TABLE 6.16

ORDERED PROBIT REGRESSION RESULTS FOR PROFESSIONAL AND OTHER SERVICE FIRMS

(Number of Responses in Parentheses)

Bid Requirement	*Specific Groups versus non-HUBs*					*HUBs versus non-HUBs*
	African American	Hispanic	Asian[1]	Native American	White Women	Total HUBs
Credit Requirements	+ *	+	+	+	-	+ *
Insurance Requirements	+ *	+	+	+ *	+	+ *
Large Project Size	+ *	+ *	+ *	+	+	+ *
Cost of Completing Proposals	+ *	+	+	+	+	+ *
Obtaining Working Capital	+ *	+ *	+ *	+ *	+	+ *
Length of Notification for Proposal Deadlines	+ *	+	+ *	+	+	+ *
Prequalification Requirements (e.g. experience)	+ *	+ *	+ *	+ *	+	+ *
Previous Dealings with the State	+ *	+ *	+ *	+	+	+ *

Note [1] Includes Asian Pacific and Asian Indian.
An asterisk (*) indicates that the disparity is statistically significant at the five percent level or better.
A plus (+) indicates that a group is more likely than non-HUBs to experience difficulty with bid requirements.
A minus (-) indicates a group is less likely than non-HUBs to experience difficulty.

Source Based on NERA's HUB mail survey conducted in May 1994.

In services, HUBs jointly and the different groups separately all reported more difficulty than non-HUBs in every category with the single exception of white women, who had found difficulty than non-HUBs with credit requirements.

IV. Evidence From Personal Interviews

In our effort to collect direct evidence of discrimination, we conducted personal interviews of more than 300 HUB owners or representatives, and obtained signed written statements from 272.[222] As shown in Table 6.17, 89 (33 percent) of respondents were African-American; 86 (32 percent) were Hispanic; 24 (9 percent) were Asian; 9 (3 percent) were Native American; and 64 (24 percent) of the interviewees were white women. Of all HUB interviewees, 121 (44 percent) were women.

Of the 272 persons from whom we obtained written statements, many described experiences in which they were treated adversely in business dealings for reasons based on race or gender. As discussed in greater detail below, those interviewed often spoke of similarly situated white male-owned firms that were not treated adversely. Of the complaints regarding discriminatory treatment in business, the largest number concerned general unwillingness to work with HUBs (53), followed by complaints relating to sham good faith efforts (39), financing (33) and problems related to the bidding process (21).[223] Other areas in which HUB representatives described discriminatory treatment in business dealings include dealings with suppliers, bonding and insurance, late payments and certification.

---

[222] We conducted a preliminary telephone survey of over 1300 business owners to identify business owners who believed they had experienced discrimination. Of the business owners who indicated that they had experienced discrimination in a business dealing, we selected 300 for in-depth interviews, which were conducted either over the telephone or in person. In selecting individuals for interviews we also attempted to obtain an adequate representation of subjects for each race, sex, and industry category.

[223] In this context, we use "complaints" to refer to specific, identified descriptions of treatment perceived as discriminatory. Less pointed allegations and remarks that may be found among the signed statements were not counted as complaints.

TABLE 6.17

NUMBER OF INTERVIEWEES THAT SUBMITTED WRITTEN STATEMENTS

Race/Sex Group	Construction	Commodities	Professional Services	Other Services	Total
African American	12	12	18	47	89
Asian	2	5	10	7	24
Hispanic	22	14	17	33	86
Native American	5	0	0	4	9
White Women	12	17	11	24	64
Total	53	48	56	115	272

Among the 56 professional services interviewees,[224] there were a number of complaints, the majority of which focused on general unwillingness to work with HUBs (17) and financing (12). The 53 construction firm representatives interviewed reported a total of 40 instances of discriminatory treatment, mostly in the category of general unwillingness to work with HUBs (11) and sham good faith efforts (11). The 48 commodity firm interviewees reported 26 instances of discriminatory treatment in business relations, with the most complaints relating to a general unwillingness to work with HUBs (9), financing (7) and sham good faith efforts of non-HUBs (6). Finally, the 115 interviewees in other services reported 55 instances of discriminatory treatment in business relations. The majority of complaints related to a general unwillingness to work with HUBs (16), sham good

[224] Our distinction between professional services and other services is based on Tex. Gov't Code § 2254.002(2). Professional services includes accounting, architecture, land surveying, medicine, optometry and professional engineering. "Other services" would encompass all other types of service industries.

faith efforts (13), financing (11) and problems with the bid process (11). The interviews are summarized in greater detail below.

We also conducted 27 interviews with non-HUB owners or representatives. Some of these interviews were with large private-sector businesses that have their own programs to enhance the utilization of HUBs. Others operated businesses in the construction, commodities, and services procurement categories. Of these, some had acted as prime contractors subject to HUB participation goals. The evidence these interviews yielded concerning whether or not there is discrimination against HUBs is noted below.

1. General Unwillingness to Work with HUBs

Fifty-three interviewees described specific instances in which non-HUBs displayed a general unwillingness to work with HUBs. Some commented that they encounter resistance from individuals who believe that HUBs are somehow inferior. These HUBs noted their belief that these individuals will contract with a HUB only if required to do so.[225]

> The female owner of an aviation engineering and consulting firm described a particular incident of discrimination at a county airport project. On this particular project, her company was "short listed" and asked to make a presentation. At the presentation, the airport's selection committee ranked her firm first. Nonetheless, the project coordinator selected another firm. He explained at the public meeting that this was not a "disabled business enterprise" project, and he did not see any reason to hire a woman-owned firm. This business owner concluded that she was effectively excluded from the project solely because hers is a woman-owned business. (#86)

> An Hispanic business owner of a construction firm relayed a particular instance of discrimination in which he was involved. He said that because his skin is light colored, the prime contractor believed he was white. The prime contractor told him that he would rather work with him because he was Anglo and he thought minorities were not capable of competently performing as subcontractors. The contractor also stated that minorities could not be trusted. When the contractor learned that he was Hispanic, the contractor created many problems for his firm and the project. (#83)

---

[225] Even when required to do so by government programs, however, non-HUBs seek ways to avoid working with HUBs. Several anecdotes of this experience are reported in § III.B.2.

The African-American owner of a professional services firm has been told by an employee of a prime contractor that the contractor prefers to work with non-HUBs and works with HUBs only when required to do so. (#139)

The female owner of a software development and integration firm described her difficulties in dealing with certain companies, including a large electronics and telecommunications equipment firm. She finds that she must send a man from her company to do the business. In her experience, it is not uncommon to encounter men who do not like to work with women. (#98)

The African-American owner of a professional services firm stated that an employee of a prime contractor told him that when he thinks of a woman or minority-owned business, he thinks of inferiority. (#133)

The Hispanic owner of a healthcare service firm said that a representative for a healthcare provider with which he was trying to do business told the representative of another healthcare provider, "if you do business with that Mexican, you will have your contract withdrawn." (#2)

An African-American business owner reported that a public agency official said that he "always thought the work done by minorities was inferior." (#79)

The female operator of an environmental consulting firm reported that a public agency employee told her that they do not hire HUBs because it is too risky. (#77)

The African-American owner of a temporary service agency described incidents of discrimination in dealing with her clientele: some stated that they would rather that she not send minority temporaries to their firm. She has also been asked on several occasions whether her firm employs exclusively minority temporaries. (#129)

An Hispanic business owner reported blatant discrimination by a supplier. When the business owner asked why he was denied credit, the supplier responded, "we only sell on a cash in advance basis to people of your kind." (#90)

An African-American owner of a professional services firm reported that there have been several occasions where he has worked with potential customers over the telephone and received an enthusiastic response to his proposal. Once he and the customer meet in person and the customer learns that he is a minority, however, the customer no longer shows an interest in his services. (#151)

The female owner of a professional services company reported that callers to her company often ask for Mr. X. When she tells callers that she runs the company and there is no Mr. X, many refuse to use her service. On several occasions, potential customers have told her that they would prefer to do business with a man. (#35)

> A female Hispanic owner of a general contracting firm stated that after her company was awarded a bid with the City of Austin, one of the City's male consultants told her male employees that "women have no business in the construction industry. All they are is money-hungry (expletive)." (#69)

In stark contrast, some non-HUBs asserted that they did not believe discrimination against HUBs occurred. One representative of a surety company stated that the rules for receiving bonding were the same for everyone regardless of the race or gender of the business owners. Another indicated that the requirement of the "lowest responsible bidder" was an objective system that eliminated, or at least limited, discrimination. Still others were more emphatic; one non-HUB contractor in the heavy highway construction field stated, "In 40 years of business, I have not witnessed any form of discrimination."

On the other hand, comments from some non-HUB interviewees tended to corroborate the picture of differential treatment or limitation on opportunities for HUBs. For example, the same surety company representative who believed all businesses faced the same rules commented that HUB and non-HUB contractors alike occasionally perform inferior work. Yet, she believed clients make work product more of an issue when a HUB company is involved. Several others in the heavy highway construction field commented that, were it not for participation goals on certain projects, they would perform up to 95 percent of the work themselves without subcontracting. Though none directly attributed this to the race/ethnicity or gender of the potential subcontractors and instead contended that it was an economic decision, they made it clear that certain work would not be made available to HUBs absent a requirement to do so.

2. Sham Good Faith Efforts

One of the chief concerns of HUB interviewees was what they perceived to be the sham nature of the "good faith" efforts of many non-HUB prime contractors to meet the HUB participation requirements of public agencies. A full 14 percent of the interviewees reported problems such as

being listed as a subcontractor on a job without their permission and being solicited for bids when the prime had no intention of using their services. Others spoke of being included on a contract with a public agency only to have their role diminished, and in some cases altogether discarded, as soon as the work on the contract actually began. The following statements are illustrative:

> The Hispanic female operator of a graphic design firm stated that she frequently receives calls from other firms asking if they can use her name in their bid. When she asks whether they are interested in her qualifications and work history, the callers reply "no, not really, [we] just have to have an HUB." (#191)
>
> The African-American owner of a trucking company reported that a construction company asked him to work on a project for a public agency. He later learned that the job went to a non-HUB firm but that the public agency believed that his company was being used for the job. (#247)
>
> An Hispanic business owner reported that he has often received letters informing him that he has been selected as the HUB for a specific project and that he will receive a percentage of the business for the program. He has seen no money and no work come in from these projects, however. (#20)
>
> The African-American owner of a commodities firm stated that he was once solicited for a job requiring 18 percent minority participation. Although he never was awarded a contract, the general contractor offered to pay him $1200 just to use his name on the $12.4 million job. (#130)
>
> The Hispanic owner of a plumbing company stated that he was promised a subcontract on a project but later was told that the project was canceled because of a lack of funding. Subsequently, he drove by the project site only to see that the project had been completed. He also learned that the general contractor replaced his firm. (#105)
>
> The Asian owner of a commodities firm reported that although he has received contracts, his participation was decreased substantially once the contract was formed. Prior to agreeing to participate on a particular project, the prime contractor informed this HUB that he needed minority participation to acquire the contract and told him that his company would be handling approximately $300,000 of the project. After entering into the contract, this HUB owner received only $12,000 of the work. (#160)
>
> The Hispanic owner of a professional services firm said that a non-HUB contractor wanted to use his firm's name so the non-HUB would have a better chance of receiving the contract. When he told the non-HUB contractor that the project was beyond his expertise, the contractor offered to pay him a finder's fee and do the job himself. (#111)

An African-American owner of a commodities firm stated that he has overheard employees of a public agency say that they would not do business with HUBs if it were not for the minority requirement. (#130)

A Native American from an environmental and geotechnical testing company described instances in which his company's name was used by a prime contractor, even though his firm received no work. In one particular incident, the City of Dallas published a report stating that his firm had participated in a minority program on a particular project and was compensated accordingly. This was not true: his company never contracted to work on that project. (#136)

The Hispanic owner of a professional services firm reported a similar experience. He bid on a project as a joint venture with two other firms. After learning that the joint venture received the contract, the non-HUB partner of the joint venture told him that the scope of the contract had been reduced and that his services no longer were needed. (#72)

The Hispanic female owner of a graphic design firm described an incident in which her company, a certified HUB, initially contracted with a non-HUB on a project to provide camera work for $8,000. That company used the owner's name, her resume and equipment list in the bidding process. The prime was awarded the government contract. Eleven months later, however, her firm had yet to receive any work. She later contacted the prime regarding when she would have the opportunity to begin her part of the contracted work. The prime informed her that it had amended the request for proposal, and that another firm already had done the work. She believes the prime was only using her company's name to meet its HUB requirements. (#191)

The African-American owner of a professional services company said that he has frequently been hired on projects only to have the work percentages reduced from the initial proposal. (#133)

3. Financing

Thirty-three of the 272 HUBs interviewed stated that obtaining financing was a substantial obstacle to success. While some HUBs experienced problems typically faced by small businesses trying to obtain capital,[226] many HUBs attributed their financing difficulties to specific acts of discrimination:

[226] For example, several non-HUBs contended that financial institutions had become more exacting generally in their lending practices.

The African-American owner of a construction company said that banks have denied his application for a line of credit because of his race. He reported that although he had an account in excess of $250,000 with a bank, it turned down his application for a $60,000 line of credit. He is aware of non-HUBs with less capital that had their applications approved. (#159)

An Asian owner of a commodities firm reported that although he had accounts receivables in excess of $200,000, he was rejected when he applied for a $60,000 line of credit. He is aware of non-HUBs who received a line of credit based on less capital. (#160)

The Hispanic owners of a professional services firm stated that after they bought out their non-minority partners, their bank changed its lending requirements for them. The bank began requiring more collateral and financial information and requested that they personally guarantee their loans. (#64)

The African-American owner of a professional services firm stated that he has overheard bankers say that they would prefer not to loan to African Americans and other minorities because of the high risk of default. (#25)

A female business owner stated that prior to obtaining a male business partner her applications for financing were constantly rejected. Once she obtained a male partner, however, she was able to obtain a line of credit with no collateral. After the partnership dissolved, the bank reduced her line of credit. (#246)

An Hispanic business owner reported that although he had improved the financial status of the company, which was previously owned by a white male, he was unable to obtain loans from the same banks that loaned to his predecessor. (#10)

The female owner of an office products firm that also provides servicing for coin changers and validators described her frustration with getting loans for her company. She originally ran the firm with her husband, but in 1979 he was forced to retire due to an illness. She requested a loan from the bank she and her husband had banked with for the past 20 years and from which they had previously received loans for their business. The bank turned her down. Two other banks turned her down as well. She was forced to ask her ill husband to accompany her to the bank. Only then was she able to get a loan for the business. (#32)

A female Asian telecommunications firm owner reported that while trying to obtain financing to start her business, the loan officer told her that he would not give her a loan because she was trying to break into a "man's business." (#135)

The Hispanic president of a medical clinic has experienced serious problems in getting loans from certain banks. Even though his company has a $6.5 million trust specifically earmarked for the company, one bank wanted a $15,000 nonrefundable

loan application fee before it would even consider the loan. Another bank would not even consider making a loan without 200% of the loan amount in collateral. (#2)

4. Problems With the Public Bidding Process

Twenty-one HUBs identified problems with the public bidding process that they believe further preclude them from building their businesses. The HUB interviewees from service firms other than professional services reported the highest incidence of this type of discriminatory treatment. The following examples are illustrative.

> The Hispanic female owner of a commodities firm stated that the specifications contained in a bid are often so narrow that they exclude HUBs. She said that she has had experiences where the products specified in the Request for Proposal were so narrow that only one company that had exclusive distribution of the product specified could satisfy the contract. (#63)

> The Hispanic owner of a demolition and site preparation business described frustration dealing with a local city water authority. On one contract, his was the lowest bid. Afterward, he met with the water board per their request and was told that his company could not do the job because of lack of experience. At that time, the board changed the specifications on the contract so it could be re-bid. The owner submitted a new bid, and again was the lowest bidder. Again, however, he was told that his company could not perform the job. Once again, the water authority changed the specifications and asked for a third re-bid. On that third occasion, the contract was given to a white male-owned firm who had been in business less time than the Hispanic-owned firm had. (#41)

> The African-American owner of a construction firm stated that although he has frequently tried to bid for public sector work, he always receives bid notices after the deadline. (#243)

> An Hispanic commodities firm owner stated that he receives late notice of bids so often that he believes his firm is only sent the notice so it appears as though a minority was solicited. (#20)

> The Hispanic owner of a construction and environmental services firm described one situation in which both he and a competitor were discriminated against. His firm was asked to work with a white-owned prime contractor as a subcontractor for a public sector project. During the bid solicitation process, the Hispanic owner learned that another minority-owned company was competing for the same project. His minority competitor turned out to be the lowest bidder, but the contractor approached him and asked him to lower the bid price so that he could be awarded the contract. He was not aware of the racial motivation at that time. Later, the white prime told the

Hispanic subcontractor that he would rather work with him because he was Anglo and he thought minorities were not capable of competently performing as subcontractors. At that time, the business owner told him that he was Hispanic and did not appreciate those remarks. Afterwards, the contractor began creating many problems for the Hispanic firm on the project, such as extensive daily inspections and increased paperwork demands. (#83)

An African-American commodities firm owner noted that his payment is often delayed while non-HUBs receive timely payment for their services. (#130)

The African-American operator of a commodities firm stated that payment delays by the State and prime contractors cause him to delay payments to his suppliers. (#124)

The Native American owner of a construction firm said that payment delays are extremely burdensome for small minority businesses with limited capital. (#144)

One HUB owner reported that he has spent more than 200 hours filling out forms for various minority business programs. Although he has bid on several state contracts, he has never received any work from the State. (#260)

One Asian owner of a professional services firm stated that prime contractors award minority companies only the amount of work that they are required to by the goal even though the minority company is capable of handling a greater percentage. The rest of the work goes to non-HUBs. (#134)

A female business owner said that a project coordinator refused to hire her company and told her that because the project was not a disadvantaged business project, he saw no need to hire a disadvantaged business enterprise. (#86)

5. Suppliers

Six HUBs also reported difficulties in obtaining the same prices and payment terms from suppliers as those received by similarly situated non-HUBs. Again, interviewees from construction firms reported the largest number of experiences of discrimination:

The female owner of a construction company reported that she purchased concrete from a concrete supplier and later mistakenly received a bill meant for a non-HUB competitor. The competitor received the concrete for substantially less and his job was further from the supplier's plant. She also once purchased a piece of equipment for her company after spending an hour bargaining to get the lowest price. She later learned from a male friend that he purchased the same piece of equipment on the same day for $3,000 less. (#76)

Another female construction company owner said that she has her male employees purchase her work trucks because they receive better deals from the auto dealers. (#45)

The Hispanic owner of a company that sells industrial plastic products nationwide described problems with suppliers attributable to race. On one occasion, a potential supplier denied his company credit without ever asking for information about the company. That supplier explained that "we only sell cash in advance to people of your kind," referring to the owner's Hispanic ethnicity. (#90)

An African-American owner of a commodities firm stated that he is aware of suppliers who increase their prices when dealing with him. His white competitors have received lower prices from the same suppliers for the same supplies. (#124)

The Asian owner of a commodities firm said that his suppliers have required him to submit company and personal financial statements to maintain his account, a requirement not imposed on non-HUBs. (#160)

6. Bonding and Insurance

Eight HUB interviewees reported that they have more problems obtaining bonding and insurance than similarly situated non-HUBs. Half of that number were in the construction industry.

A Hispanic owner of a professional services firm reported that he was twice denied a bond when other similarly-situated non-HUBs had no problems obtaining bonding. (#11)

The Hispanic owner of a general contracting firm stated that, regardless of how much experience and equipment he has, he cannot find a bonding company that will support him. (#9)

Hispanic firms also reported difficulties in obtaining insurance. For example, the Hispanic owner of a professional services firm was refused insurance because the company was "a high risk with no experience." The business owner is aware of similar non-HUBs that had no problems obtaining insurance. (#11)

An Asian owner of a stationery and office supply company reported similar problems. He said that he has been told that minority-owned companies take advantage of insurance claims. The problems he has experienced in obtaining insurance have impeded his ability to operate his business. (#160)

An African-American owner of a construction firm said that the primary business hurdle for him is obtaining bonding. He noted that often the amount of the bond is so large it does not justify being hired for the project. (#243)

Notably, one non-HUB interviewee had a comparable perspective but a different experience. This representative's company sold goods to both the private and public sector. He noted that public-sector projects have insurance and bonding requirements that can be burdensome. However, while bonding presents some difficulty in the public sector, the non-HUB interviewee reported that obtaining bonding is not generally a problem.

V. Conclusions

A review of Texas history, legal cases including voting rights, school and housing segregation and employment discrimination and recent studies on mortgage lending and insurance practices in Texas all indicate a history and current practice of discrimination against minorities and women in Texas. Against this backdrop of discrimination, we also found evidence of discrimination against HUBs. Through journalistic evidence, mail surveys and personal interviews, we found that many HUB owners in Texas believe that they are victims of discrimination.

Discrimination was reported most frequently in the construction industry but was also reported in commodity purchasing and services. Among the HUB subgroups, African Americans reported discrimination most frequently. In contrast, firms owned by white women reported the lowest incidence of discrimination. This directly supports the statistical findings reported in Chapters 3 through 5. In those chapters, we reported that African American-owned firms fared worse in construction than any other HUB subgroup at both the prime and subcontractor level and in both the private and public sector. Additionally, when examining rates of business formation, we found the largest disparities associated with African Americans. When looking at their earnings from firms once started, however, white women fared worse than any minority group, but African Americans had the next lowest earnings when compared to similarly-situated white male business owners. In the private sector, while there were substantial disparities for women in construction (72 percent), they