

In R.I., 10% of state business is supposed to go to minorities, women, but it doesn't



Rhode Island cannot track the amount of money going to minority-owned businesses, and the best guess is that 5 percent of state contracts and purchases go to them -- not the mandated 10 percent. "Yes, we have a great law," says Lisa Ranglin, president of the Rhode Island Black Business Association. "It is not working by any stretch of the imagination." She is shown above with Rhode Island NAACP President Jim Vincent at a political forum in Providence in 2014. The Providence Journal/Kris Craig

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Posted Nov. 28, 2015 at 10:30 PM

PROVIDENCE, R.I. — Rhode Island's government officials in this decade face a hostile financial landscape — budgets rimmed in red, a graying work force and high unemployment numbers.

Until recently, it's been hard for them to see and to seize upon the economic opportunity that exists in the minority business sector.

"If we're going to survive as a state, we're going to have to make sure everybody's included," said Cheryl A. Burrell, associate director of the state's

Office of Diversity, Equity and Opportunity. "What's really driving this is demographic change."

Two years ago, minorities made up 15 percent of the state work force but 24 percent of the state's population.

That disparity prompted Lincoln D. Chafee, who was Rhode Island's governor in 2013, to sign an executive order that called for greater efforts to hire minorities and issue contracts to minority businesses. The effort followed a similar one undertaken in 2011 by the City of Providence to raise the level of minority and women-owned businesses getting procurement and service contracts.

The initiatives are part of series of similar such efforts made by cities and states across the country, in Massachusetts, New York, Minnesota, Missouri and elsewhere to help minorities (and other populations) start and grow businesses as a way to address economic disparities. Politicians moved to make the changes after facing years of criticism that many such programs failed to meet their mandates.

"We're serious about trying to include minorities in procurement," said Tolulope K. Olasanoye, director of purchasing and supplier diversity for the City of Providence. "You have to be purposeful to make a change."

Providence is the only Rhode Island community with its own minority- and women-owned business program.

Around the nation, these initiatives have taken on a new catchphrase: "supplier diversity."

Rhode Island passed a law nearly 30 years ago mandating that at least 10 percent of state contracts and purchases go to minority- and women-owned businesses. The City of Providence also established a set-aside program for its municipal spending.

"It was always designed as an emerging-business program," said Dorinda L. Keene, a compliance officer in the Office of Diversity, Equity. The goal of the state program, Keene said, is for minority businesses to grow strong enough to no longer need the special designation to win contracts.

Rhode Island's contract awards have fallen short of the 10-percent benchmark.

By the end of 2014, certified minority business enterprises, or MBEs, received less than 5 percent of the state's contracts and purchase awards.

But that figure is a guess. The state cannot track the amount of money actually going to minority businesses, nor can it track that the salaries and wages minorities employed under those contracts are paid.

"Yes, we have a great law," said Lisa Ranglin, president of the Rhode Island Black Business Association. "It is not working by any stretch of the imagination."

Minority business representatives say the MBE program falls short in many ways.

Gaining certification as a "minority business enterprise" can take too much time for an independent contractor or start-up business owner, they say, and too few contracts come their way even with certification. Bidding time periods are too short, payments can be too slow, the bonding and credit requirements too onerous, enforcement is lacking and waivers too readily granted the large companies that regularly win government contracts.

There's a lot of talk, both inside and outside government, about "capacity building" — helping businesses deal with all these issues.

Does a company have the bookkeeping staff, the analysts, the equipment and the finances to carry out a contract.

Finances are a part of the capacity issue. Few small businesses have the finances to go weeks without being paid for their work. But that's often what happens on big state contracts. The state pays the primary — or "prime" — on one schedule, but the prime may not pay its subcontractors until weeks later. That's often too long for tiny companies trying to make weekly payrolls.

"You're paying the guys weekly yet you're waiting 60 days, sometimes 90 days," said Jhonny Leyva, president of the Black Contractors Association. "The state doesn't verify that [prime contractors] are paying the subs."

One standard provision of these laws angers minorities to no end — rules that allow companies to seek a "waiver" of the 10-percent set-aside if they cannot find a certified subcontractor or vendor that provides a needed service or good.

"That's the biggest excuse I hear — there are no skilled minorities that do this," said Leyva, who owns Heroica's Painting. "That's the biggest [expletive]. They're not trying."

The state has no definitive way to measure whether companies that win contracts and purchasing orders are doing all they can to find minority-owned businesses that could serve as suppliers or subcontractors, Ranglin said. "There needs to be some sanctions in place and some system of monitoring [compliance]."

Olasanoye, Burrell's counterpart in Providence, said policing big companies will only get the city so far.

"Enforcement alone is not going to get us where this mayor [Elorza] wants us to go," Olasanoye said. "I've got to do the best that I can to put them [minority businesses] in a position to succeed."

First under Chafee and now under Governor Raimondo, state officials have moved to realign minority support operations to address long-standing shortcomings.

State agencies have to track minority hiring data and provide plans to the state Office of Equal Opportunity to increase hiring of minorities.

The director of administration now must issue annual progress reports on minority business initiatives.

The state wants to undertake a "disparity" study to figure out where it is falling short on minority business issues.

"It will help us uncover some of the barriers that exist," Burrell said.

When fully staffed, Burrell's office will have seven "full-time equivalent" positions.

"It did not have the focus of attention it needed," Burrell said. "We're very excited about where we know the office is headed."

People see a tantalizing opportunity for minority contractors in the development of the I-195 corridor land, a development zone that could come to symbolize how well Rhode Island has come to grips with the economic disparities that exist in its changing population.

"If we don't focus on this opportunity and seize it now, 10 years from now we'll be singing the same song," Olasanoye said.

At a glance

As of Oct. 31, 2015, there were 437 firms certified as Rhode Island Minority Business Enterprises (MBEs); 245 of those firms (56 percent) are firms based in Rhode Island; 192 (44 percent) are based outside Rhode Island. Of those 437 firms:

224 (51%) are owned by white women

84 (19%) are owned by blacks

47 (11%) are owned by Portuguese

40 (9%) are owned by Latinos

34 (8%) are owned by Asians

4 (1%) are owned by Native Americans

4 (1%) are owned by people of two or more races

Source: R.I. Department of Administration — Office of Diversity, Equity and Opportunity

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