

**Special Business Enterprise Program Council for Minorities,
Females and Persons with Disabilities Meeting Minutes**

100 W. Randolph
Room 2-025
Chicago, IL 60602

401 S. Spring St.
Room 500 1/2
Springfield, IL 62706

FRIDAY, JUNE 21, 2013 - 1:30 P.M

COUNCIL MEMBERS IN ATTENDANCE

| | | | |
|--------------------|----------------|----------------------|--------------|
| Joan Archie | Jesse Martinez | Beth Doria | Fred Coleman |
| Richard Boykin | Hedy Ratner | Charisse Witherspoon | Larry Ivory |
| Lynne Marie Turner | | | |

COUNCIL MEMBERS NOT IN ATTENDANCE

| | | | |
|----------------|----------------|----------------------|-------------------|
| Alfred Ramirez | Rodney Lewis | Samantha Hufnagel | Omar Duque |
| Florence Cox | Perry Nakachi | Nelida Smyser DeLeon | Corinne M. Pierog |
| Marva Boyd | Alesia Hawkins | | |

COUNCIL CHAIR

Malcolm Weems, Chairman

COUNCIL SECRETARY

Paul Cerpa, BEP Deputy Director

CMS STAFF IN ATTENDANCE

| | | | |
|------------------|------------------|------------------------|----------------|
| Chima Enya | Kevin Connor | Susan Hartman | Sharla Roberts |
| Ngozi Okorafor | Jeanetta Cardine | Elias Ricks Ngwayah II | |
| Ellen Daley | Leslie Taylor | Carlos Gutierrez | |
| Michelle Jackson | Roger Nondorf | | |

OTHERS IN ATTENDANCE

| | | | |
|------------|-----------------|-----------------|-------------------|
| Tom Mikrut | Keven Chin | Mandy Chan | Sandy Robinson II |
| Roy Braggs | Gustavo Giraldo | Deanna Rossetto | |
| Ben Bagby | Nader Farraj | | |

AGENDA

June 21, 2013 - 1:30 p.m.

- I. Welcome
- II. Call to Order
- III. Roll Call
- IV. Posted Business
 - Information Technology and Telecommunication Availability Disparity Report
- V. Public/Vendor's Testimony
- VI. Adjournment
 - Next Council Mtg.- June 24, 2013

Welcome

Chairman Weems called the Special Business Enterprise Program (BEP) Council meeting to order at 1:40pm on June 21, 2013. Chairman Weems introduced Ms. Michelle Jackson to the Council as the new Deputy Legal Council assigned to the Business Enterprise Program after the resignation of Philina King.

Roll Call

Council Secretary Paul Cerpa took the roll and announced that a quorum has not been obtained. Secretary Cerpa further said that they would wait for others to join by phone or in person.

Posted Business

- **Information Technology and Telecommunication Availability Disparity Report**

Chair Weems told the Council that CMS has received a portion of the Disparity Study that had to do with IT. This portion relates to whether we will be establishing an IT Sheltered Market. He further said the purpose of the meeting was making sure people understood the report that was received from Colette Holt and give you the opportunity to ask questions about what the number mean. Chairman Weems then turned the floor over to Ms. Holt.

Ms. Holt thanked Chairman Weems for allowing her to first because she has to give a speech at the National Association of Minority Contractors at 2pm Central time. She said that if there are any questions they could be given to Sharla Roberts, Chairman Weems, or Secretary Cerpa to convey them to her.

Ms. Holt said the report is about the IT Telecom Contracts. She said they created a representative sample of contracts that are from CMS and several of the other agencies. According to Ms. Holt, it covers 806 million dollars and they were able to collect missing contracts and subcontracts data from 94.4 percent of the contracts in the sample file. Because of this, we feel confident about the quality of that data. She said the first question they asked was "what was the state geographic market for the IT/Telecom contract?" Then we used the 75 percent rule of thumb recommended in the National Study Guideline that we successful defended in the IDOT (Illinois Department of Transportation) case. When we looked at where those contracts were distributed, we realized they went to Illinois and three additional counties because of very large vendors that are located outside the State of Illinois. Illinois and those 3 counties are the geographic market. We then looked at the 6 digits NAICS codes that make up those 75

percent. Using the 75% rule there were 17 6-digit NAICS Codes that comprise 94% of the total spend in the sample file. These are listed in table 1. Table 2A looks at the utilization in those 17 codes. Table 2A has MBEs aggregated. Table 2B has the same utilization disaggregated for each race and ethnicity. Based on that utilization distribution in the market both geographic and product, we then estimated the availability of women and minority firms to the percentage of total firms. We then went to Hoovers for that information for those 17 codes.

Ms. Holt noted that Hoovers have stop findings on Race and Ethnicity and now produces finding on Minority. For the final study she said they will go back and assign race and ethnicity which she wasn't able to do due to the abbreviated schedule for this portion of the report. Table 3A gives us the unweighted availability of MBEs in the NAICS Codes. By unweighted we mean not weighted by the state actual spending pattern. Table 3B is the weighted availability. Table 4A is an aggregation of the total availability in the state IT/Telecom market. She further said that once the availability and utilization were obtained, they were able to announce and disparity between utilization and availability. In table 5 you will see the aggregated disparity ratio across all of the NAICS Codes. She said the courts have used an 80 percent rule. Once the disparity is less than 80 percent then the court have ruled it is a large disparity and therefore substantively considered to be significant.

Ms. Holt said that in table 6, they looked at some disaggregation. She said she was surprised at the lack of disparity as she had expected. They then went back to find out why this was the case. They discovered that is was 2 huge telecommunication contracts that had gone to 1 firm. They then decided to see what would happen if those contracts were removed. Once they were removed, you can now see very large disparity. With the adjusted disparity ratio M/WBE has a disparity ratio of 52.10 which is quite large and therefore will support the need of some type of remedial relief. Tables 7, 8, 9, and 10 are the same analysis of CMS Master Contracts. Table 11 gives us detailed utilization and availability by those 17 NAICS codes. This would be helpful to the department in deciding how to set contract goals.

Ms. Holt noted that there were some interim recommendations made. It was recommended to continue to use BEP contract goals. The adjusted disparity ratio certainly suggests there continue to be a problem. It also recommends the usage of detailed industry codes to set the contract goal.

She said in the tables one can see the concentration of M/WBEs in various sub-sectors. Some of them are not what one might think of as traditional IT/Telecom but they are part of delivering that service to the state. An example of this is the Call Centers. Women and minority firms are doing quite well in some of these

ancillary types of industry codes but not in some of the more direct IT codes such as IT manufacturing and hardwares.

Ms. Holt ends her report and open up the floor for questions.

Council member Fred Coleman asked whether this is considered a final report or a draft. Chairman Weems said that it is considered the final report on the IT section. He said it will be part of a bigger report on the disparity study.

Council member Boykin said he thought he heard her say she was going to break down how much blacks and Hispanics received in terms of dollar amounts.

Ms. Holts said they are already included. She said the only one that was not included in this section was the availability of race and sex that is weighted. She pointed that table 2B gives you the utilization disaggregated by race and ethnicity on the contracts and the samples.

Council member Boykin noted that there was a serious problem and wants to know how the Council is going to proceed with finding.

Chairman Weems said that they would have to take into consideration the testimonies from the public hearings and decide whether to have a sheltered market.

Council member Coleman said he understood how the data was generated and the report put together. He said his main concern was that there were some typos and grammatical errors that needed to be corrected. He also said in terms of the methodology of the report, there should be some editing done in order to improve the clarity of the report. He observed some transposition of letters and also the usage of samples throughout the report. His concern is that he does not want this to be targeted as something that was not clear.

Ms. Holt said it would be quite helpful to have them in writing and she would consider them.

Chairman Weems asked other Council members to put in writing any concerns they might have and need to have them address by Ms. Holt.

Council member Beth Doria asked Ms. Holt for her opinion on whether the whole state BEP program could become a target if the Council moves in the direction of a sheltered market.

Ms. Holt responded by saying that anything could happen in Federal Court. No one can predict what might happen.

Chairman Weems asked Ms. Holt about the history of states that have been challenged nationally. Ms. Holt responded by saying that the volume of cases have slowed down because there are so few program left that have not been challenged. Many states have lost. Chicago is one of the few programs that have been successfully defended. She said they are waiting to see whether there will be a case against California. She also said Minnesota case is pending and Philadelphia program has been challenged. She reminded the council that both the Tollway and IDOT have been sued over their DBE programs.

Secretary asked that the record reflects that Council member Jesse Martinez has joined the Council.

Council member Larry Ivory asked that the Council move forward with correcting what he described as “egregious discrimination” and seek appropriate redress. He said he is always wary of being sued but if one is getting nothing, he/she has nothing to lose.

Chairman Weems said he wants for the Council to know that in addition to what was heard at the various public hearings last year, and then the Disparity Study, the Council will be looking at policies that were in place in state government. He said if the Council moves to create a Sheltered Market, the Council will need to do a report that goes along with that. He said an example is the State never had goals put on IFBs in the past until 2 years ago despite the State codes saying that it is the preferred method of procurement.

Council member Ivory said that the Council should look at their performance because they will be ultimately be judged by it. He said this Council has been given the responsibility to make the numbers better and therefore should work toward that goal.

Secretary asked that the record reflects that Council member Hedy Ratner has joined the Council.

Council member Hedy Ratner wanted clarification on whether Ms. Holt was saying that most of the projects being awarded were not really in the IT/telecom areas but instead in the support areas such as administrative management, general management, consulting, employment placement, and other business support services.

Secretary Cerpa responded by saying that Ms. Holt did address that issue.

Council member Ivory said he realizes he cannot talk about specific contract but instead talk in general terms without violating Senate Bill 51. He talked about the MSB contracts that has potential for African Americans and Hispanics. He said the problem is that historically there has been little participation in that area. He asked whether this report reflects contracts in the past.

Chairman Weems said Ms. Holt looked at contracts in the years 2010 and 2011 so we cannot comment on anything being procured right now.

Council member Ivory said the lack of inclusion of the MSB contracts could distort the report however, he asked that the Council get an update on the status of the MSB contracts in our next meeting.

Council member Doria said this past legislative session a bill was advanced that would put goals on utilities and telecom. But they encountered strong opposition from AT&T because they did not want to report their numbers and they felt they were not a utility but a private company. She would like us to identify where there is a huge disparity in available minority and others that could participate and work with them to build capacity in order to expand a qualified pool. Representative Davis tabled the bill until next year.

Public/Vendors' Testimony

- None

Adjournment

The next Council Meeting will be held on July 22, 2013

Meeting adjourned at 2:32PM.