

Honorable Ladies and Gentlemen of the Judiciary Committee, Esteemed Staff, Colleagues and Members of the Public, my name is Tim Lohrentz, former Director of the Inclusive Business Initiative in Oakland and I am here to report to you as the lead author of the report on the loss of contract dollars to minority and women business enterprises (or MWBEs) as a result of Proposition 209.

Co-author Michael Sumner and I were asked to look at state and local government procurement with MWBEs before and after Prop 209. Some jurisdictions, like the City of Los Angeles, had race-neutral programs which were not changed by Prop 209.

Jurisdictions with data before Proposition 209, or where a reliable estimate could be made, included San Francisco, Oakland, San Jose, and the State of California. Before Prop 209, all state agencies participated in the MWBE program. The MWBE program was probably one of the most robust programs of any state during the early 1990s, reaching 26.2 percent of all state discretionary spending in the 1994-95 fiscal year. This amounted to \$520 million or \$823 million in today's dollars. From the old reports, it appears that the Department of General Services ran a good MWBE program, as well as Small Business Enterprise (or SBE) program.

In total, MWBE firms lost between 1 and 1.1 billion dollars in public contracts in today's dollars as a result of Prop 209.

There is no way to know how many public contracts or subcontracts were retained by MWBEs after Prop209, or how many new contracts or sub-contracts were gained. The greatest difficulty in doing this study was the lack of data after MWBE programs ended as a result of Prop 209. San Francisco and Oakland collect data on contracts with certified MWBE firms now, but there is a gap of many years when there was no reliable data. The state now collects data as part of its SBE program, but with no certification requirement, the data is not comparable.

Based on this study and my MWBE policy experience, I would like to make the following recommendations:

1. That the state look at the State of Washington's race- and gender-neutral Supplier Diversity program. Like California, Washington has a Prop 209, called Initiative 200. I have studied Washington's program and led a California delegation to investigate. Washington has been able to have a successful policy by having a commitment from the last three Governors, the state legislature, and department directors to eliminate discrimination in all contract processes. The Governor holds department heads accountable for their supplier diversity outcomes.
2. A trip by law-makers, the Governors' Office, and the DGS to Washington to meet with counterparts about their Supplier Diversity program.

3. In addition, there are a number of race- and gender-neutral enhancements that could be done to the existing program:

- Accepting certifications from Asian Inc., the Minority Supplier Development Councils, the SBA, UCP DBE, and cities, in order to collect certified MWBE data.
- Setting voluntary MWBE sub-contracting goals embedded in overall SBE sub-contracting goals
- Specific outreach to MWBE communities, along with white male owned SBEs
- SBE set-aside programs

The Department of General Services was very helpful as I did this research, with many historical reports. This gives me hope for the state as a partner on these issues. I would love to work with you and the state on this topic. Thank you for your time.