

THE HARM OF RACE & GENDER-NEUTRAL PROGRAMS

R. LYNN PINGOL, CEO

The implementation of race- and gender-neutral programs presents substantial harm and challenges for small businesses owned by women and minorities, in particular, Black, Indigenous, and People of Color. The removal of crucial support mechanisms and opportunities impedes these businesses' ability to overcome systemic barriers and compete equitably in the market. The unintended consequence of such changes is an exacerbated reliance on external support systems, which in turn obstructs the long-term objective of self-sufficiency and economic independence for minority-owned small businesses. By failing to account for the unique challenges faced by these groups, race- and gender-neutral policies risk perpetuating existing inequalities rather than dismantling them. In order to truly foster an inclusive and equitable business environment, it is imperative that targeted support for minority-owned businesses be maintained and strengthened.

Several reasons underline why these programs can be detrimental:

1. **Historical Inequities:** Minority-owned businesses often start with fewer resources due to historical discrimination and unequal access to capital. Race and gender-neutral programs do not address these pre-existing disparities, making it difficult for these businesses to catch up.
2. **Access to Capital:** These businesses typically face higher barriers in obtaining loans and investments. Without targeted support, they may struggle to secure the necessary funding to grow and sustain their operations.
3. **Networking Opportunities:** Minority entrepreneurs frequently lack access to influential networks that can provide mentorship, business connections, and market opportunities. Race and gender-neutral policies may overlook the importance of creating these tailored networking spaces.
4. **Market Penetration:** Entering and establishing a presence in competitive markets can be particularly challenging for minority and women-owned businesses. Without focused support, they may find it harder to gain market share and customer trust.
5. **Supplier Diversity:** Many corporations and government agencies have supplier diversity programs that prioritize minority and women-owned businesses. Eliminating these priorities under race and gender-neutral programs can reduce the chances of these businesses securing contracts and expanding their client base.
6. **Policy Overlooking Specific Needs:** Neutral programs may fail to recognize the unique challenges and needs of minority and women-owned businesses, resulting in one-size-fits-all solutions that do not effectively support their growth.

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Ensuring that procurement policies are inclusive and equitable is vital for promoting true independence and opportunity for all small businesses. The State of Minnesota can further empower these essential enterprises by implementing critical policies that enhance their influence and independence.

The Small Business Influence and Independence model offers a comprehensive approach to achieving this goal by amending existing statutes to provide targeted support. The proposals mentioned for amendments to various Minnesota statutes can significantly impact small business influence and independence. (Similar legislative proposals to amend statutes have also been offered to the States of Maryland, Missouri, and New Jersey, by MaKee Company)

By implementing these amendments, Minnesota can create a more supportive environment for small businesses, fostering economic independence and long-term growth, and ensuring a prosperous and independent future for the state's small business community.

Specific examples where race and gender-neutral programs have been unsuccessful:

These examples illustrate that race and gender-neutral programs often fall short in addressing the unique challenges and systemic barriers faced by minority-owned businesses. Targeted support and race-conscious measures are often necessary to create equitable opportunities and foster economic independence for these businesses.

1. City of Richmond v. J.A. Croson Company (1989):

- The U.S. Supreme Court case highlighted the limitations of race-neutral programs in addressing systemic discrimination. The City of Richmond's race-neutral contracting program was found insufficient to remedy the underutilization of minority-owned businesses in public contracts. The court ruled that the city needed to provide evidence of past discrimination and implement narrowly tailored race-conscious measures to address the issue.

2. Madison, Wisconsin's Small Business Enterprise (SBE) Program:

- After the Croson decision, Madison eliminated its Minority Business Enterprise (MBE) program and implemented a race-neutral SBE program. However, studies showed that the SBE program failed to address the disparities in the utilization of minority-owned firms in city contracting. The race-neutral approach did not effectively remedy the identified discrimination, leading to continued underrepresentation of these businesses.

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3. Federal Disadvantaged Business Enterprise (DBE) Program:

- The U.S. Department of Transportation's DBE program aims to create a level playing field for disadvantaged businesses. However, race-neutral measures within the program have been criticized for not adequately addressing the barriers faced by minority-owned businesses. For example, access to capital and bonding remains a significant challenge, and race-neutral policies have not effectively mitigated these barriers.

4. California Proposition 209:

- In 1996, California voters approved Proposition 209, which prohibited state institutions from considering race, sex, or ethnicity in public employment, education, and contracting. This race-neutral approach led to a significant decline in the representation of minority-owned businesses in state contracts. Studies showed that the percentage of contracts awarded to these businesses dropped sharply, highlighting the inadequacy of race-neutral policies in addressing historical inequities.

5. Texas' Top 10% Rule:

- Texas implemented the Top 10% Rule as a race-neutral approach to college admissions, guaranteeing admission to students who graduated in the top 10% of their high school class. While the policy aimed to maintain diversity without considering race, it was not as effective as race-conscious policies in ensuring adequate representation of minority students. Additionally, it inadvertently benefitted students from less competitive schools, failing to account for the disparities in educational opportunities across different regions and demographics.

6. Washington Initiative 200:

- Similar to California's Proposition 209, Washington's Initiative 200 banned affirmative action in public employment, education, and contracting. The race-neutral policy led to a marked decrease in the number of contracts awarded to minority-owned businesses. The initiative failed to address the systemic barriers these businesses faced, resulting in reduced opportunities for growth and participation in public contracts.

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7. University of Michigan's Admissions Policies:

- After the U.S. Supreme Court ruled against the use of racial quotas in admissions in the Grutter v. Bollinger case, the University of Michigan implemented race-neutral policies. These policies were less effective in maintaining diversity compared to the previous race-conscious approaches. The representation of minority students declined, demonstrating the limitations of race-neutral policies in achieving equitable outcomes.

8. New York City's MWBE Program:

- In response to legal challenges, New York City adopted race-neutral measures to support minority-owned business enterprises (MWBEs). However, these measures did not adequately address the unique challenges faced by MWBEs. The race-neutral approach led to a decrease in the number of contracts awarded to these businesses, highlighting the need for targeted support to ensure equitable opportunities.

Examples such as these, reinforce the need for race and gender-conscious programs that directly address the systemic barriers faced by minority and women-owned businesses. Race-neutral policies often fall short in creating a level playing field, underscoring the importance of tailored support to foster economic independence and long-term growth for these businesses.

In conclusion, race- and gender-neutral programs, while well-intentioned, fail to consider the entrenched systemic inequities that minority- and women-owned businesses confront daily. These policies assume a level playing field that simply doesn't exist due to historical discrimination, limited access to opportunities, and a lack of targeted support for these groups. Without recognizing and addressing these foundational disparities, race-neutral programs risk reinforcing existing inequalities rather than remedying them.

Minority- and women-owned businesses often face obstacles that their counterparts do not, such as restricted access to capital, fewer networking opportunities, and challenges in market penetration. Historically, these businesses have started with fewer resources, whether due to discriminatory policies, generational wealth gaps, or limited access to credit and loans. Race-neutral policies overlook these pre-existing disadvantages, offering "equal" treatment in a context where the starting point is far from equal.

Moreover, these policies do not account for the unique needs of minority and women entrepreneurs, who often lack access to influential networks that provide mentorship, opportunities, and strategic partnerships. Tailored programs are essential to bridging this



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gap, fostering a supportive ecosystem where these businesses can grow and compete equitably in the marketplace.

We've seen time and again that race-neutral initiatives fail to generate equitable outcomes. Historical examples, such as the fallout from California's Proposition 209 and Washington's Initiative 200, illustrate how a shift to race-neutral policies can cause a dramatic decline in minority-owned businesses' participation in state contracts. These declines underline the inadequacy of one-size-fits-all solutions in addressing systemic barriers.

To truly empower minority- and women-owned businesses, targeted, race-conscious support mechanisms are necessary. These may include policies that prioritize these businesses in procurement, foster access to capital, and create networking opportunities tailored to their unique challenges. Through these efforts, it's possible to dismantle the barriers that prevent these businesses from achieving self-sufficiency and economic independence.

Ultimately, embracing targeted support is not just about addressing past injustices - it's about ensuring a prosperous and diverse business ecosystem that benefits communities at large. In states like Minnesota, adopting critical policy amendments can lead the way in fostering an inclusive and thriving small business environment. By implementing changes that enhance the influence and independence of minority-owned businesses, we can build a foundation for long-term growth, equity, and opportunity. This isn't merely a local imperative—it sets an example for equitable economic development nationwide.