INDIANA UNIVERSITY
PUBLIC POLICY INSTITUTE

Indiana Gaming Commission Disparity Study

2022 Update

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EXECUTIVE SUMMARY

This report represents the fourth in a series of analyses provided to the Indiana Gaming Commission (IGC) by the Indiana University Public Policy Institute (PPI). PPI completed similar reports in 2007, 2011, and 2017.

BACKGROUND

Many cities and states have undertaken disparity studies to evaluate their contracting and purchasing practices and determine the degree to which all ready, willing, and able minority business enterprises (MBE) and women business enterprises (WBE) equally compete with other firms for public sector contracts. These evaluations became common in 1989 when the U.S. Supreme Court took up the case of the City of Richmond v. J.A. Croson Company. The Supreme Court ruled the city of Richmond had “failed to demonstrate a compelling interest in apportioning public contracting opportunities on the basis of race.” Since that ruling, many cities and states have evaluated their public sector contracting and purchasing practices. Disparity studies have emerged as a common approach used in these evaluations.

In general terms, a disparity study estimates an expected or potential level of public expenditures with MBE and WBE businesses. The estimated potential level of business is based on the proportion of all ready, willing, and able vendors designated as MBE or WBE, and is known as capacity. Once the potential or expected share of MBE and WBE business is estimated, it is then compared with the public agency’s actual MBE and WBE expenditures. The actual expenditures are commonly referred to as utilization. The difference between the expected and actual expenditures is the disparity.

This disparity study of Indiana’s casinos and racinos seeks to estimate capacity, measure utilization, and calculate disparity—or lack thereof—of the contracting and purchasing practices of 13 privately owned, publicly licensed casinos and racinos in Indiana. While many types of goods and services consumed by the casinos and racinos are consumed also by public sector organizations (e.g., construction, office supplies, etc.), these privately owned casinos and racinos also purchase a set of goods and services that are directly related to gaming that would not be purchased by any governmental unit. Additionally, the casinos and racinos are not subject to the same set of bid and purchase rules as state and local governments. As a result, the approach used to estimate capacity for these private sector firms is somewhat different than disparity studies that evaluate the contracting and spending patterns of state or local government.

It is important to note there are a variety of methods commonly used to estimate capacity and measure utilization. Furthermore, the method chosen to estimate capacity and measure utilization can potentially affect findings of disparity. While the primary purpose of this study is to define disparity, the study also may be used to further our understanding of MBE and WBE capacity and utilization. As researchers at PPI undertaking this analysis and evaluation, we suggest that increasing capacity and utilization are as important a goal as decreasing disparity, and that all three measures should be monitored consistently over time. Therefore, the estimate of capacity and measure of utilization used in this study must be replicable by any potential future disparity study vendor. We believe the methods used to estimate capacity and measure utilization in this study provide the most accurate interpretation of available information while requiring the lowest level of personal judgment and interpretation. These measures will provide the opportunity for different vendors to undertake future studies, while assuring the ability to monitor changes in capacity and utilization over time and across multiple studies.

The capacity estimate in this analysis is based on data from multiple sources. First, we collected data from the 11 casinos and two racinos, including:

- Firms that are contracted to provide goods and services,
- Firms that have provided the casinos and racinos with goods or services in the past five years, and
- Firms that have bid for or otherwise expressed interest in doing business with casinos and racinos but failed to successfully win contracts.

Casino- and racino-specific data were augmented by vendor lists collected from state (Indiana) and local governments (in the counties with casinos and racinos and in Indianapolis). In an effort to ensure the inclusion of any firm—MBE, WBE or other—which believed it was ready, willing, and able to do business with one or more of the casinos and racinos, the IGC organized three online outreach meetings. PPI facilitated these meetings in November 2022. The IGC also organized and managed an online survey seeking to attract additional firms wishing to do business with the gaming industry in Indiana.

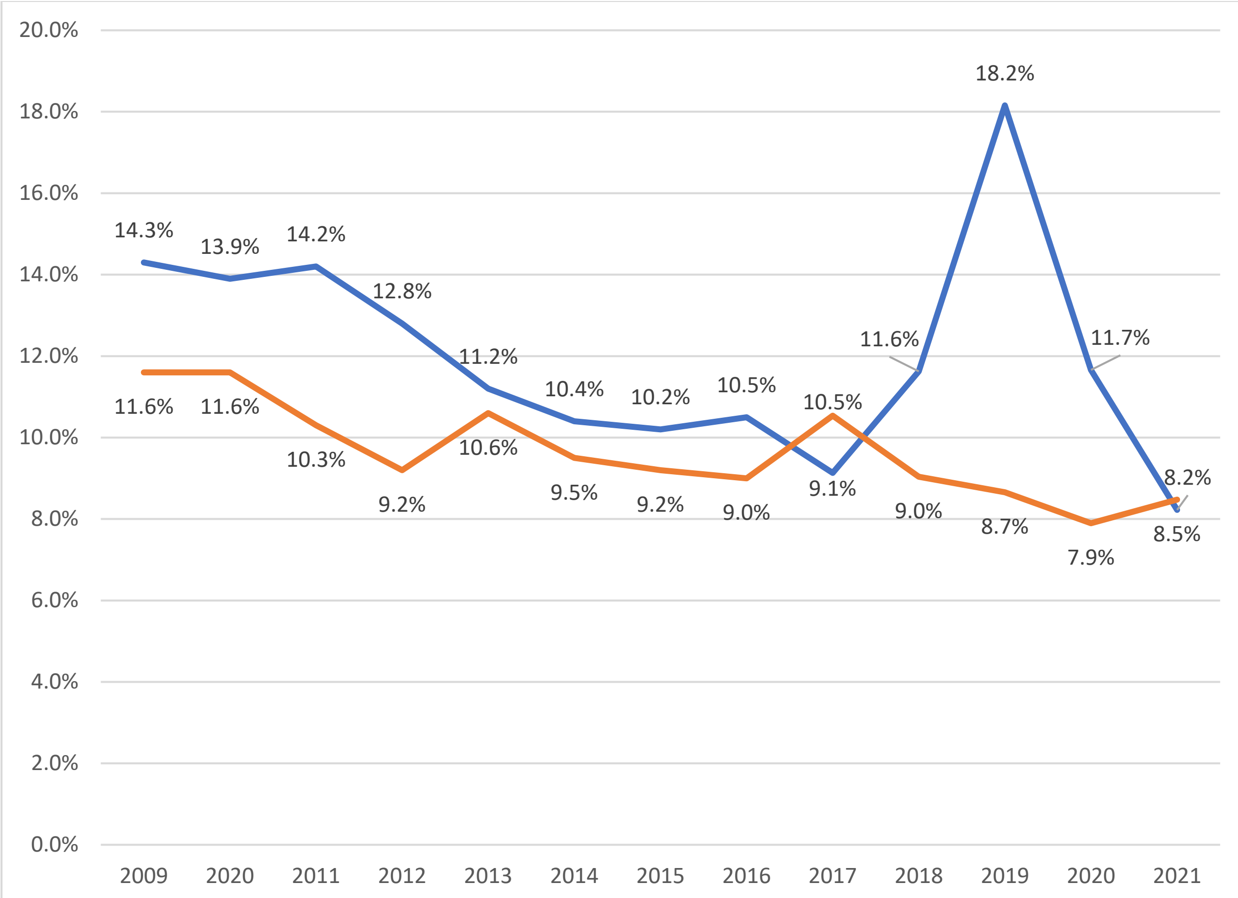
The utilization analysis in this study is based on actual expenditures made by the 11 casinos and two racinos between January 1, 2017, and December 31, 2021. The expenditure data was provided to PPI by the IGC. The IGC collects and monitors the expenditure data based on recommendations provided in the previous disparity report.

FINDINGS

In 1997, the Urban Institute released a study summarizing the methodologies used and findings of 58 disparity studies. They found “substantial disparities between the share of contract dollars received by minority-owned firms and the share of all firms that they represent.” Based on the 58 disparity studies included in the Urban Institute’s analysis, MBEs received an average of 57 cents for every dollar they would expect to receive. After separating all contracts into four broad industry groups—construction, procurement of supplies, professional services, and other services—the Urban Institute found disparities in all categories except construction subcontracting, in which very little disparity was found.

Our findings for this study find no disparities exists for expenditures with MBE vendors in any of the four industry categories (Table ES1). Our analysis of the number firms, however, revealed that MBE vendors were underutilized in both the construction and other services industry categories. In other words, fewer of these types of firms sold services and supplies to the casinos and racinos than we would expect based on the proportion they represent of total firms. The absence of monetary disparity—despite an underutilization of vendors—is explained by the difference in average contract amounts. Our findings show no disparities for WBE firms when analyzing expenditures or the number of firms.

Figure ES1: Historical expenditures with MBE/WBE firms as a share of total expenditures



TRENDS OF CONCERN

While there was no finding of disparity, there were concerning trends that should be monitored for both WBE and MBE vendors. The share of both MBE and WBE spending have been trending downward over time. In 2009, MBE share of total spending was 14% and the WBE share was 12%. While there has been some fluctuation, those shares declined to approximately 8% for both MBE and WBE by 2021. This trend suggests casinos and racinos must remain vigilant and committed to ensuring that MBE and WBE vendors continue to enjoy the economic benefits associated with the gaming industry.

The pandemic was the likely cause of changes in casino and racino spending patterns. For example, in this analysis, construction was the largest MBE spending category at $108 million or 55% of all expenditures. The second largest was procurement with more than $62 million or 31%. Meanwhile, for WBE, procurement was the largest spending category at 56%. Perhaps more importantly, in the 2017 PPI study, casinos and racinos spent in 73 procurement-related North American Industry Classification System (NAICS) codes. That number declined to 35 categories in this study. If these pandemic related changes in spending patterns are permanent, it's likely to result in a continued decline to total MBE and WBE spending by the casinos and racinos and reduced opportunity for MBE and WBE firms.

The casinos and racinos typically spend more per MBE and WBE firm than they do with other firms. For example, in construction, casinos spent a much higher amount per MBE firm ($925,826) and WBE firm ($278,568) than they did with other firms ($181,422). In the procurement category, they spent $504,489 per MBE firm and

$269,643 per WBE firm compared to only $67,898 for other firms. Yet the result of this greater spending is that fewer MBE and WBE firms are sharing in the economic opportunity created by casino and racino spending.

While there is no disparity, the share of casino spending with MBE and WBE nonprofessional service firms continued to decline. MBE firms' share of total other services declined from 14% in the prior study to 8% in the current study and WBE expenditure shares decreased from 11% to 9%. This trend should also be monitored on an annual basis.

Finally, estimated capacity for construction and other services both declined relative to the prior two PPI studies of casino and racino capacity. While there are likely a wide range of reasons for this decline, three potential factors are outreach efforts on the part of the casinos and racinos, the impact of the COVID-19 pandemic on MBE and WBE firms and the failure of MBE and WBE firms to become certified.

Table ES1: Summary of disparity findings by industry category and firm type (2017–21)

	Construction	Procurement	Professional services	Other services
MBE capacity	$27,896,491	$ 9,623,269	$4,804,171	$6,022,127
MBE utilization	$108,321,668	$62,052,184	$10,315,392	$18,444,929
MBE disparity	$80,425,177	$52,428,915	$5,511,221	$12,422,803
WBE capacity	$28,611,785	$24,175,529	$8,820,773	$13,132,121
WBE utilization	$33,188,178	$83,319,728	$10,842,839	$21,301,094
WBE disparity	$4,576,393	$59,144,200	$2,022,066	$8,168,973

INTRODUCTION

The Indiana University Public Policy Institute (PPI) has been engaged by the Indiana Gaming Commission (IGC) to prepare an update to the IGC's 2007, 2011, and 2017 disparity studies. While this updated study follows the same methodology as the previous study, there are two major differences from the original study. As with the 2012 and 2017 studies, this report's updated analysis benefits from the IGC's creation of a database that records and verifies each transaction reported by Indiana's casinos and racinos.

PART 1. AN OVERVIEW OF DISPARITY ANALYSES

AN OVERVIEW OF DISPARITY ANALYSES

In 1989, the U.S. Supreme Court heard the case of the City of Richmond v. J.A. Croson Company. The justices ruled that the city of Richmond had "failed to demonstrate a compelling interest in apportioning contracting opportunities on the basis of race." Since that ruling, many cities and states have conducted formal evaluations of their public sector contracting and purchasing practices. Disparity studies have emerged as a common approach used in these evaluations.

In general terms, a disparity study estimates a predicted level of potential public expenditures with minority business enterprises (MBE) and women business enterprises (WBE). The estimated level of potential minority business is then compared with the organization's actual MBE and WBE expenditures. The difference between the estimated and actual expenditures is the disparity.

Capacity, utilization, and disparity are three key terms in any disparity analysis, defined as:

1. Capacity: The estimated amount of potential expenditures with MBE and WBE firms, based on the proportion of MBE and WBE businesses that are identified as ready, willing, and able to compete for business in the local market.
2. Utilization: The amount of actual expenditures with MBE and WBE firms made by or contracts entered into by the subject of the study.
3. Disparity: The difference between capacity and utilization. A statistical analysis is used to determine whether disparity is within an acceptable margin of error or is likely a result of practices that prevent MBE and WBE firms from gaining their estimated potential share of local business.

In 1997, the Urban Institute released a study summarizing the methodologies and findings of 58 disparity studies. Their researchers found "substantial disparities between the share of contract dollars received by minority-owned firms and the share of all firms that they represent." Based on the 58 disparity studies included in the Urban Institute's analysis, MBEs received on average 57 cents for every dollar they would expect to receive. After separating all contracts into four broad industry categories—construction, procurement of supplies, professional services, and other services—the Urban Institute found disparities for all categories except construction subcontracting, in which very little disparity was found.

The most recent disparity studies completed by PPI for the Indiana Lottery Commission and the Indiana Gaming Commission found no disparity. However, the disparity study completed for the city of Indianapolis in 2005, found disparity in all four industry groups for both MBE and WBE firms.

There are two critical differences between disparity studies for the Indiana Gaming Commission, and those for other governmental units. First, the private firms that own the casinos and racinos purchase a set of goods and services that are much different than that of typical state and local governments. Secondly, and perhaps more importantly, governmental units typically use a sealed bid process with policies requiring the acceptance of the lowest responsive bid. Private firms, such as casinos and racinos, have more discretion in purchasing/spending. As a result, they have the option of purchasing goods and services from MBE and WBE firms even when they are not the lowest responsive bidder.

PART 2. METHODOLOGY OVERVIEW

METHODOLOGY OVERVIEW

The Urban Institute's review of disparity studies found that analysts use many different approaches to define capacity, utilization, and disparity. They also found that estimates of capacity were based on a variety of data sources ranging from the use of the U.S. Census Bureau's Survey of Minority-Owned Business Enterprises report to information about firms that previously contracted with the government entity.

Each capacity— and to a lesser extent, utilization—definition has strengths and weakness. Most require a degree of interpretation or judgment on the part of researchers. Most importantly, the method used to estimate capacity affects the disparity findings of the study. For this reason, the most critical part of any disparity analysis is the selection of the method used to define and determine capacity.

While the primary purpose of this study is to estimate capacity, define utilization, and measure disparity, a second and equally important goal is to establish a consistent method of analysis that can be replicated in future studies. A consistent and replicable analytical approach has two advantages. First, capacity changes over time and in multiple study periods can be compared fairly. Consistent measures over time will help determine if Indiana's casinos and racinos are undertaking efforts to attract greater numbers of MBE and WBE firms that are ready, willing, and able to do business with them. The change in capacity or number of these MBE and WBE firms is a critical piece of data that is not typically tracked by other disparity studies. The second advantage of an easily replicable method is that the Indiana Gaming Commission will maintain the option of selecting a different consultant firm for its next disparity study, while preserving consistency in comparisons over time.

CAPACITY AND UTILIZATION DEFINITIONS

There are many methods available to estimate capacity and which method is selected affects the determination of disparity. As a result, it is essential that stakeholders interested in and affected by the results of the study understand and accept the selected method as reasonable to estimate capacity. To ensure a commitment to unbiased research and to approve the definitions of capacity, utilization, and disparity, the Indiana Gaming Commission created a Disparity Study Advisory Group for the initial analysis that included individuals from the public sector, the casinos, and individuals representing MBE, WBE, and other firms competing for casino and racino contracts.

After careful consideration of the different methods discussed in the Urban Institute's analysis which ranged from the most inclusive definition of all firms identified in the census to the least inclusive definition of only firms that have done business with one or more of Indiana's casinos and racinos, the advisory group agreed capacity would be defined as the total number of firms that expressed being ready, willing, and able.

PART 3. UTILIZATION

UTILIZATION

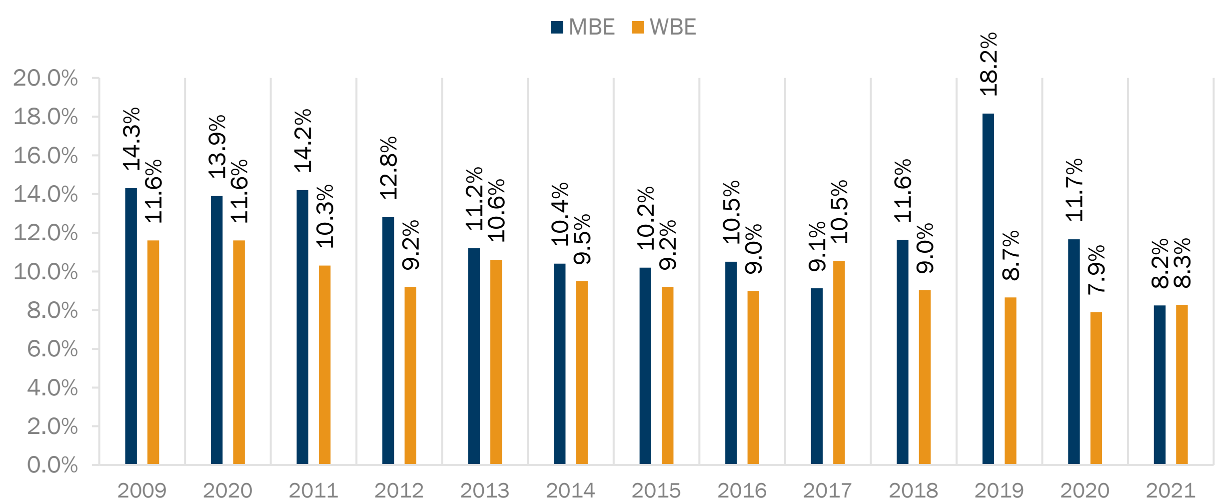
Utilization is the term for actual payments made by casinos and racinos to MBE, WBE, and other vendors. The utilization analysis in this study is based on actual expenditures made by Indiana's casinos and racinos between January 1, 2017, and December 31, 2021. The data was provided by the casinos and racinos to the Indiana Gaming Commission. The IGC then organized and audited the data before sending it to PPI for analysis. The transaction data included the North American Industry Classification System (NAICS) code which permits the identification of an industry group—be that construction, procurement of supplies, professional services, or other services—vendor name, transaction amount, and MBE/WBE certification status.

As with disparity studies of local or state governments, not all vendors who would qualify for MBE or WBE status apply for certification. To the degree that they do not apply, the data would undercount MBE/WBE expenditures. To address this concern, we compared the casino and racino vendor data with the certification data provided by the state of Indiana and local governments in the communities in which the casinos and racinos are located (where available). If the vendor was certified on any of the lists, they were classified as MBE or WBE for the purposes of this study.

In utilization analyses of government expenditures, there are typically three or four industry categories: either construction, procurement of supplies, and services; or construction, procurement of supplies, professional services, and other services. In this analysis of casino and racino expenditures, as with prior studies, it was determined that using four industry categories was appropriate. It also was determined that using the six-digit NAICS codes would enable the analysis to be directed toward the specific behavior of casinos and racinos.

Figure 1 displays the annual share of total MBE and WBE between 2009 and 2021. In general, the share of both MBE and WBE spending have been trending downward over time. In 2009, the MBE share of total spending was 14% and the WBE share was 12%. While there has been some fluctuation, those shares had declined to approximately 8% for both MBE and WBE by 2021. This trend suggests that casinos and racinos must remain vigilant and committed to ensuring that MBE and WBE vendors continue to enjoy the economic benefits associated with the gaming industry.

Figure 1: MBE and WBE expenditures as share of total expenditures 2009–21

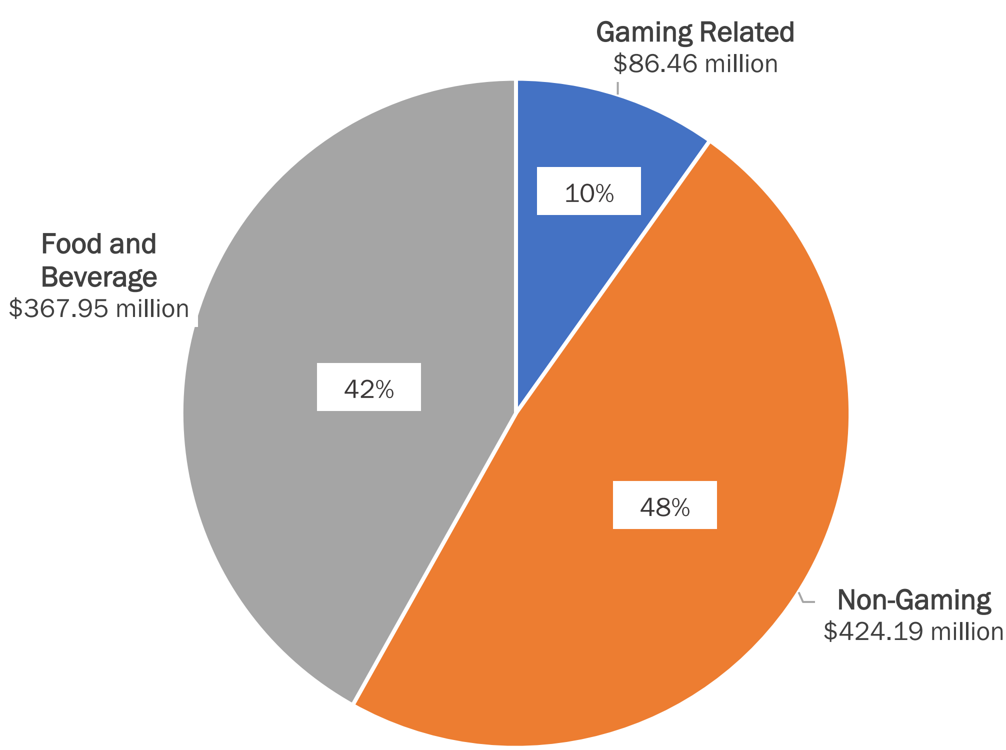


COMPARING INDIANAPOLIS, INDIANA, AND CASINO AND RACINO UTILIZATION

There are two critical differences between the purchasing behavior of Indiana's casinos and racinos and that of the city of Indianapolis and all other government organizations. The first important difference is that Indiana's casinos and racinos purchase a set of goods that directly support gaming and are not typically purchased by units of government. These unique gaming-related goods range from slot machines and other electronic gaming devices to alcohol. As seen in Figure 2, the casinos and racinos spent 52% of their supply purchases on food and beverage or gaming-specific goods. They spent the remaining 48% on goods that were not related to gaming. The nongaming goods most closely resemble the typical purchase of supplies made by state and local governments in Indiana.

The second important difference is that casinos and racinos spend a higher share of total expenditures on services and a much lower share on construction compared to Indianapolis and the state. While the casinos and racinos enjoy similar procurement spending habits, as shown in Figure 2, there are two significant differences between the casinos and racinos and the city and state governmental entities. One is that the casinos and racinos spend proportionally less on construction and proportionally more for procurement of supplies. The second is that casinos spend on gaming supplies and food and beverage in ways that governments do not. These differences in spending are important to remember as MBE and WBE capacity varies by utilization category and, as a result, the different spending mix may affect overall utilization and disparity.

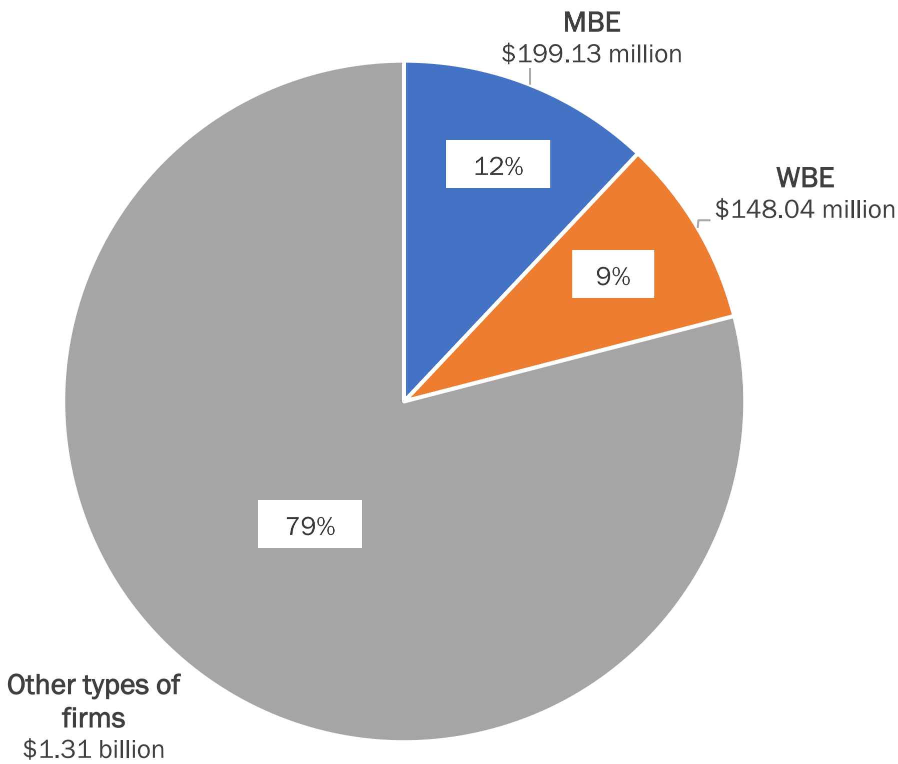
Figure 2: Purchase of supplies by type



OVERALL UTILIZATION

Collectively, Indiana's casinos and racinos spent more than $1.6 billion during the study period from 2017 to 2021. More than $199 million (12%) was spent with MBE firms and more than $148 million (9%) was spent with WBE firms. In the prior study from 2012 to 2016, nearly $183 million (11%) of expenditures were made with MBE vendors and more than $159 million (9%) were made with WBE vendors. In the initial study from 2009 to 2011, 17% of all expenditures were with MBE vendors and 14% were with WBE vendors.

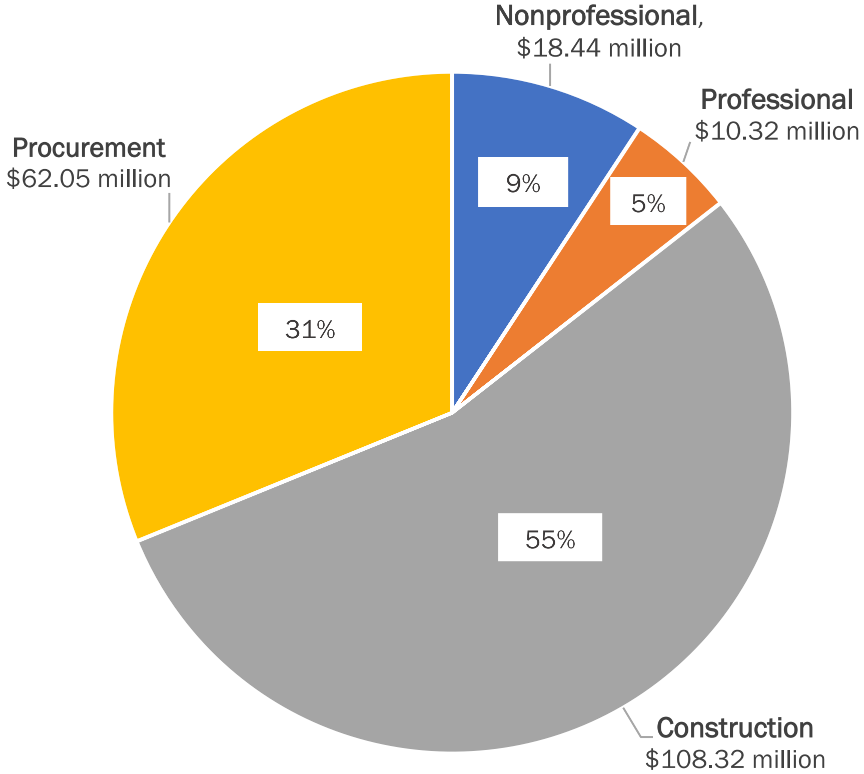
Figure 3: Total expenditures by type of firm



MBE UTILIZATION

Indiana's casinos and racinos spent more than $199.1 million with MBE firms. Of that, more than $108 million (55%) was spent on construction (Figure 4). In the prior IGC disparity studies, procurement was the largest spending category and the change in spending patterns is likely attributable to the pandemic. Procurement was the second largest expenditure category with more than $62 million spent, or 31% of all casino and racino expenditures.

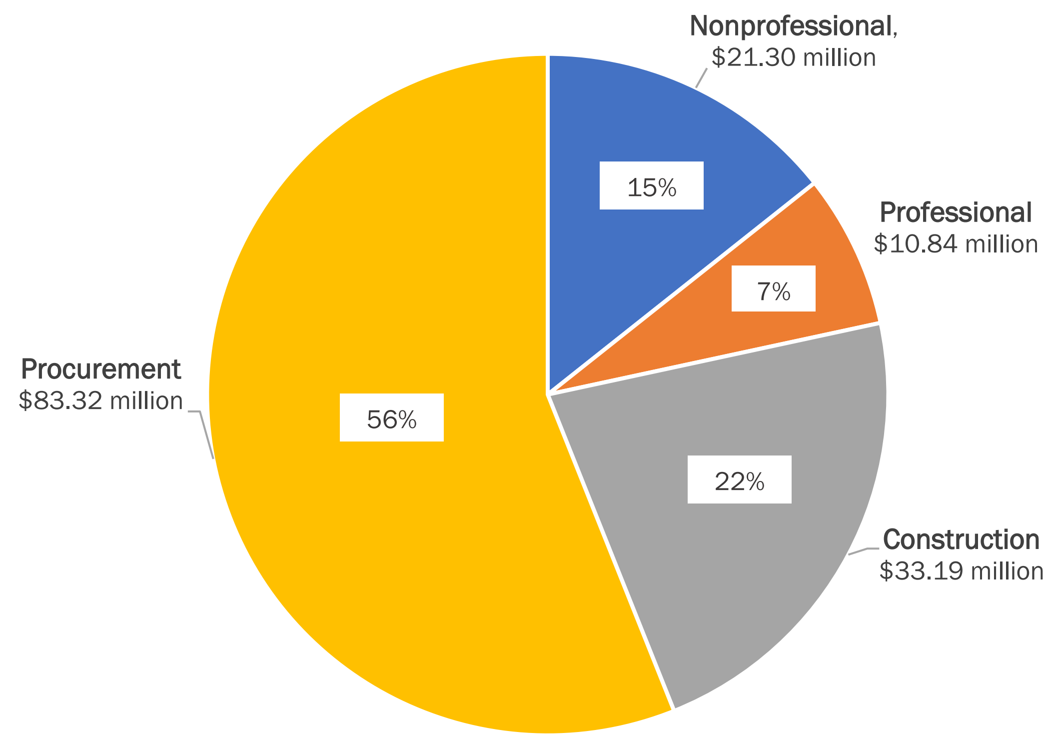
Figure 4: Total expenditures with MBE firms by industry type



WBE UTILIZATION

Total casino and racino expenditures with WBE firms exceeded $148 million. As in previous studies, expenditures with procurement firms remained the largest type of WBE expenditures. Compared to the previous study, procurement spending decreased from 63% to 56% and construction spending increased from 8% in the prior study to 22% in this study.

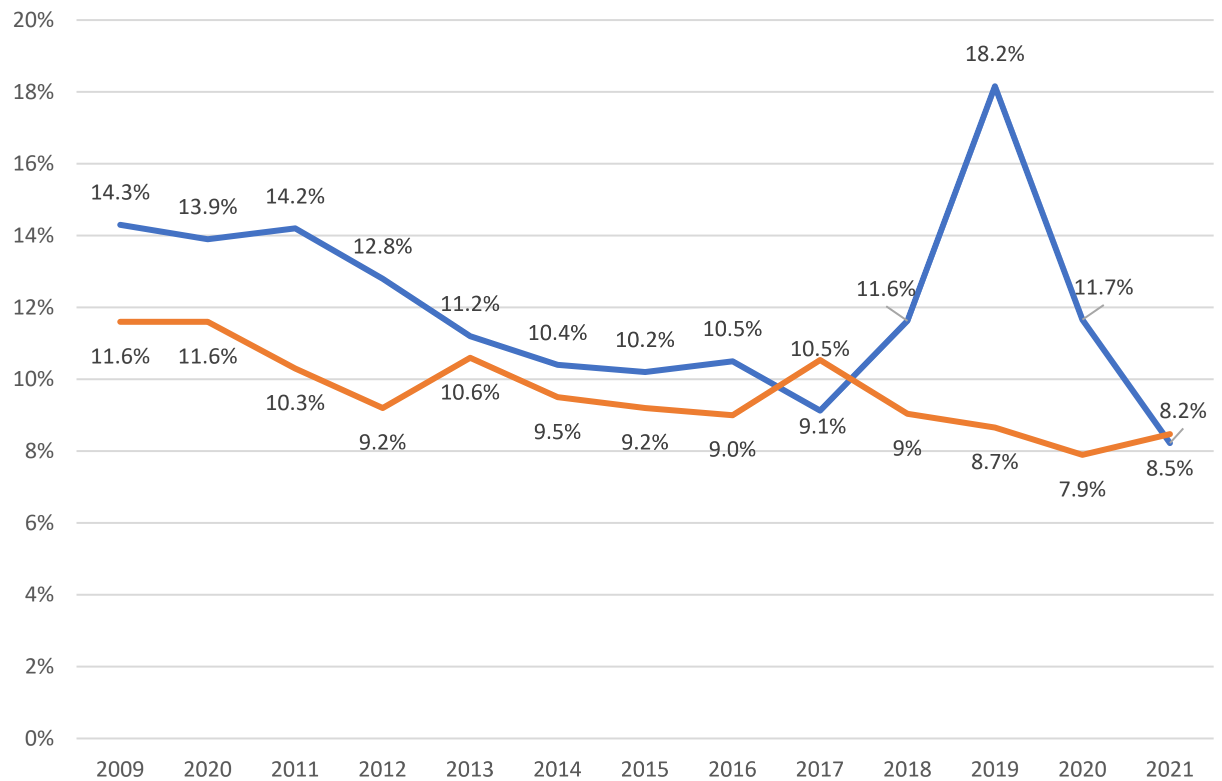
Figure 5: Total expenditures with WBE firms by industry type



ANNUAL UTILIZATION

Starting with the initial disparity study, both MBE and WBE expenditures have generally been declining as a share of total expenditures (Figure 6). Expenditures with WBE firms peaked at nearly 12% in 2009 and declined to a low of approximately 8% in 2020. While MBE expenditures also have generally declined—reaching their lowest point in 2021 at 8%—a surge in construction spending during the pandemic accompanied by a drop in total spending created a pandemic MBE spending surge.

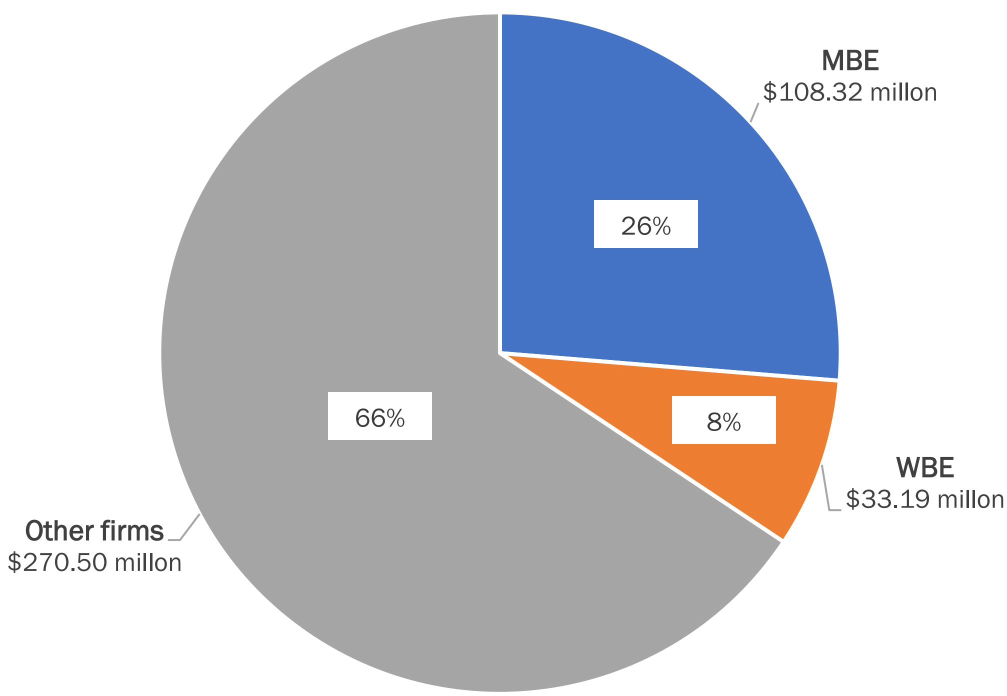
Figure 6: Expenditures with MBE/WBE firms as a share of total expenditures



CONSTRUCTION UTILIZATION

Construction includes activities such as drywall, remodeling, paving, and trucking. The list of NAICS codes included in the construction category is available in the capacity section of this report. During the study period, Indiana's casinos and racinos spent more than $412 million on construction, a considerable increase from the $111.5 million spent on construction during the previous study period. Construction expenditures made up 25% of all spending during this study period. Indiana's casinos and racinos spent $108 million (26%) of all construction-related expenditures with MBE firms (Figure 7) and spent $33 million (8%) with WBE firms. During the study period, the casinos and racinos utilized 37 MBE and 54 WBE firms.

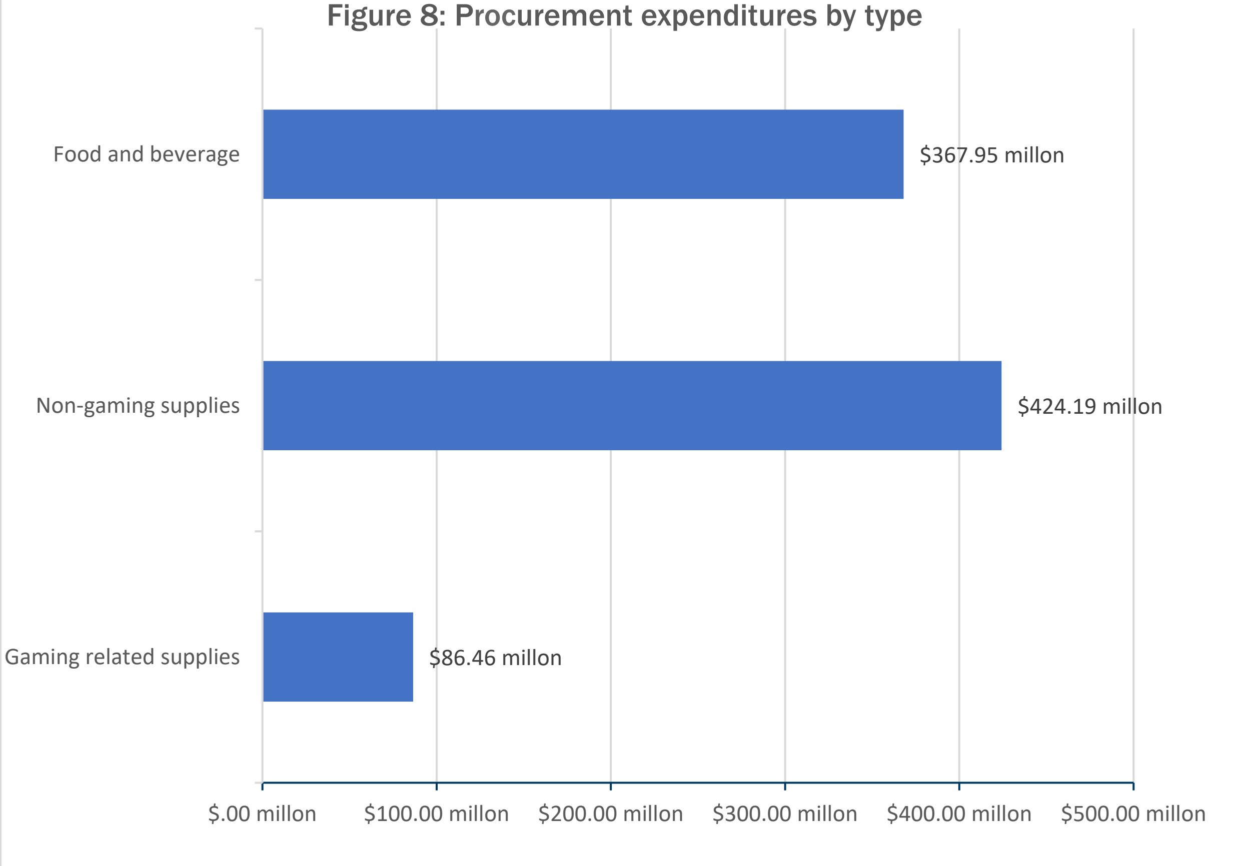
Figure 7: Total construction expenditure by firm type



PROCUREMENT OF SUPPLIES UTILIZATION

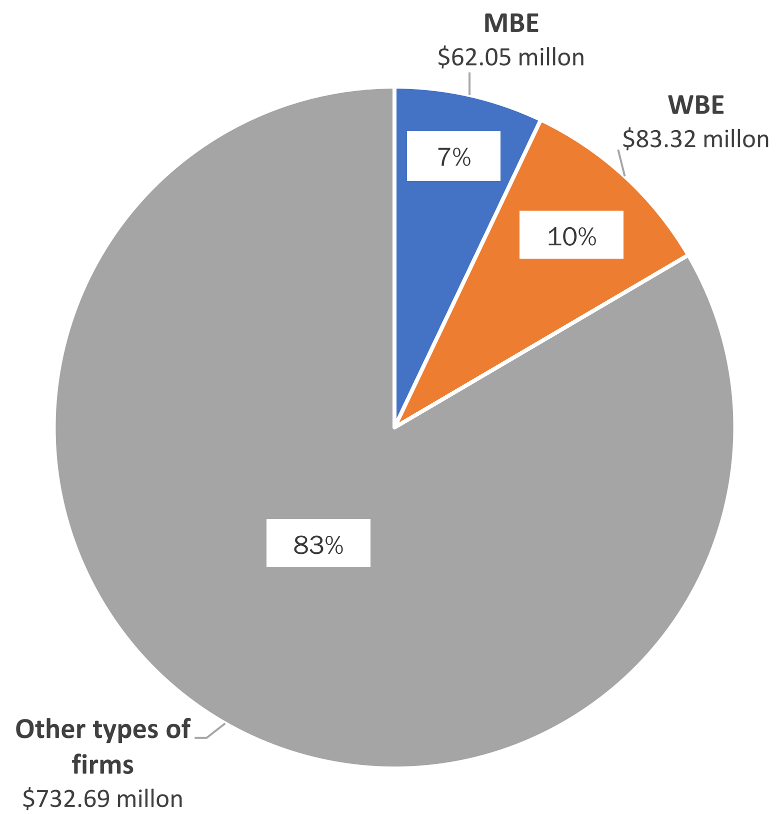
Typically, in disparity analyses performed for units of government, expenditures for procurement of supplies are for the purchase of consumable and durable goods and supplies such as furniture, office equipment, and cleaning equipment. In addition to these supplies, Indiana's casinos and racinos purchase gaming-related supplies that would not be purchased by local units of government, such as gaming devices and alcohol. During the study period, Indiana's casinos and racinos spent more than $878 million on supplies (Figure 8). Fifty-two percent—or more than $454 million—of all casino and racino expenditures were directed toward food and drink or gaming-related supplies. Thus, less than half of all procurement expenditures made by the casinos and racinos were for supplies typically purchased by government. Because of the unique supplies used for gaming, the group of ready, willing, and able firms interested in competing for casino and racino procurement of supplies contracts is likely to be much different than the groups competing for city and state supply contracts.

Figure 8: Procurement expenditures by type



Compared to the prior disparity study, total procurement expenditures by Indiana's casinos and racinos dropped more than $267 million. This was likely a result of fewer visitors resulting from the pandemic. Spending with MBE firms came in at more than $62 million, accounting for 7% of all this type of expenditure. WBE expenditures totaled more than $83 million or 10% of all expenditures (Figure 9). The casinos and racinos utilized 41 MBE and 103 WBE procurement firms.

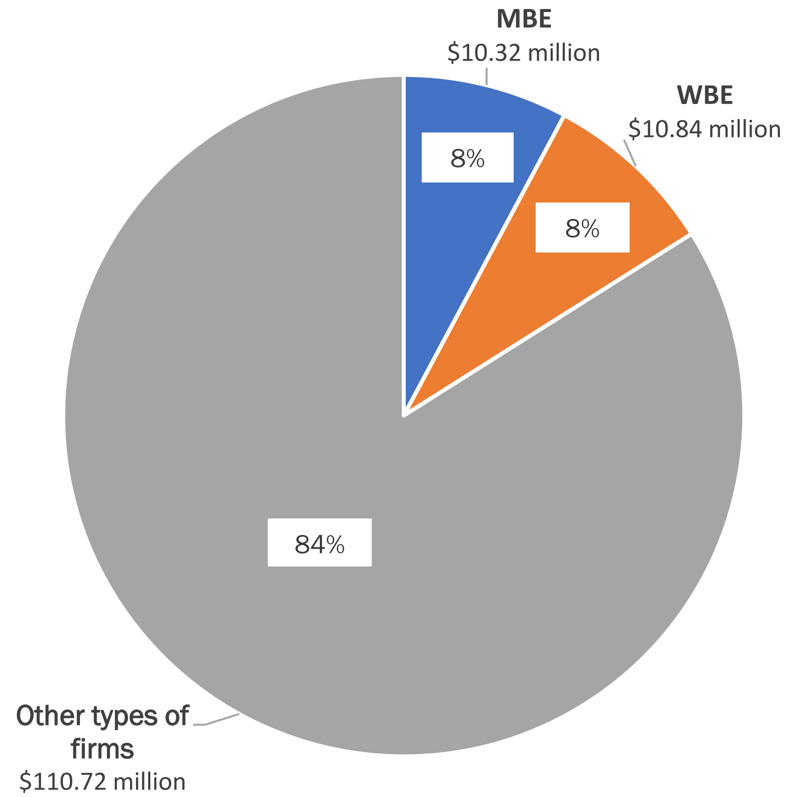
Figure 9: Procurement expenditures by type of firm



PROFESSIONAL SERVICES UTILIZATION

Professional services include work done by legal and financial firms, data management, other information-based vendors, and other services which are typically provided by individuals who have earned college degrees. Total spending on professional services has declined by nearly $20 million from the previous study. Between January 1, 2017, and December 31, 2021, casino and racino spending in this category totaled more than $131 million. Of that, 8%—or $10.3 million—was spent with MBE firms compared to 17% during previous study. Another 8%–totaling $10.8 million—was spent with WBE vendors compared to 11% in the previous study (Figure 10). During the study period the casinos and racinos utilized 26 MBE and 48 WBE firms.

Figure 10: Professional services expenditures by type of firm

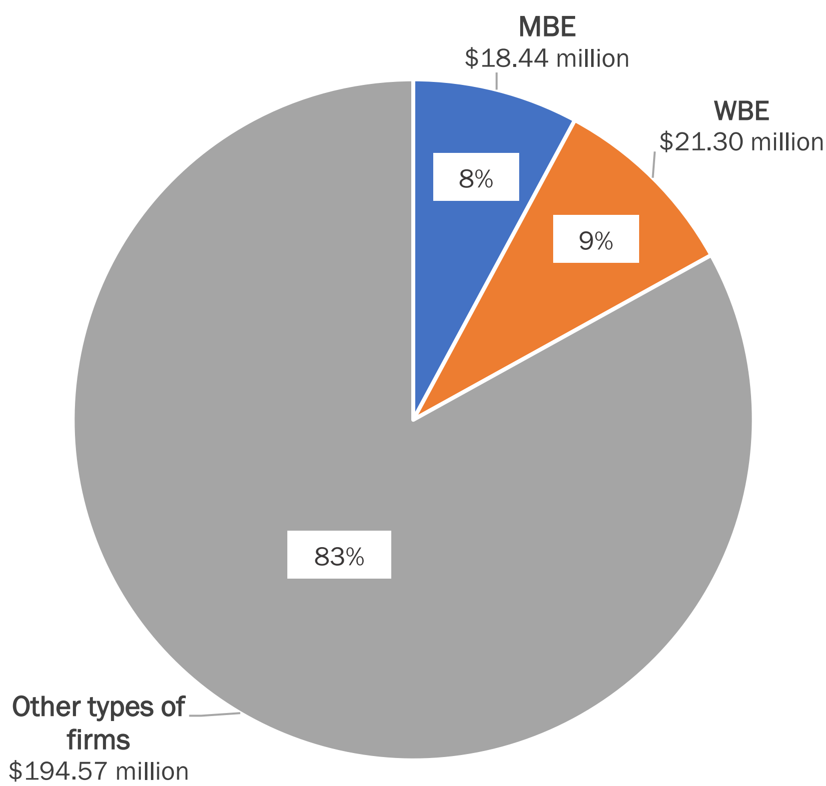


OTHER SERVICES UTILIZATION

Other services include nondegree services such as automotive repair, heating and cooling maintenance, janitorial services, and other labor-based service provision. Total spending for other services during this study period was more than $234 million. That is a decrease of more than $26 million compared to prior study. Of the $234 million, about 8%—or $18.4 million—was spent with MBE firms, down from 14% in prior study.

Meanwhile, casinos and racinos spent $21.3 million with WBE firms. That amount represents about 9% of their spending, a decrease from 11% in the previous study.

Figure 11: Other services expenditures by type of firm



PART 4: CAPACITY

CAPACITY

Capacity is the measure of the total share of MBE and WBE firms that are available to compete for casino and racino contracts/expenditures. The Urban Institute found that available studies use various measures of capacity. Previous research states, “There is no best way to define which firms are available to perform government contracting work, although the choice of measure can affect the findings.” The Urban Institute’s review of capacity studies determined that the five most common sources of data for defining capacity or availability are:

- Firms that have previously contracted with government
- Firms that have previously bid on government contracts
- Firms that have been certified by government units
- Firms that have responded to surveys conducted for the study
- All firms

Each of these data methods has strengths and weaknesses. The most important issue is the tradeoff between the precision necessary to identify firms that are willing and able to compete, and the broadness needed to be inclusive enough to account for any past and present discrimination that may have affected the ability and willingness of MBE and WBE firms to compete for contracts. As existing research states, “The more narrowly a measure screens for capacity, the more prior discrimination it builds in.”

The Urban Institute researchers suggest that using all firms—either by using U.S. Census Bureau or Dun and Bradstreet data—is likely to best address past and present discrimination. The drawback of this option is that there is also the likelihood that an unknown number of firms that are not ready, willing, or able to compete for a contract would be included in the study. Furthermore, the survey data includes all individuals who file a tax return indicating they are self-employed, regardless of the share of income they earned while self-employed. Many of these self-employed individuals are unlikely to have the desire or the capacity to compete for casino contracts. Thus, using the broadest measure would overstate the capacity or availability of MBE and WBE firms to compete for casino and racino contracts and result in an overstated degree of disparity.

On the other hand, the method of counting only firms that have done, are currently doing, or are registered with one or more of Indiana’s casinos and racinos as being interested in doing business with them is likely to underrepresent the number of MBE and WBE businesses that are ready, willing, and able to do business with Indiana’s casinos and racinos.

As mentioned earlier, a primary goal of this study is to identify the methodology that is most replicable while providing the best information with the least amount of judgment or interpretation. A key factor in enabling consistent replication is that the method for judging capacity requires the least possible amount of human interpretation. This provides an opportunity for different vendors to undertake a disparity study in the future and lets them measure changes in capacity and utilization consistently over time.

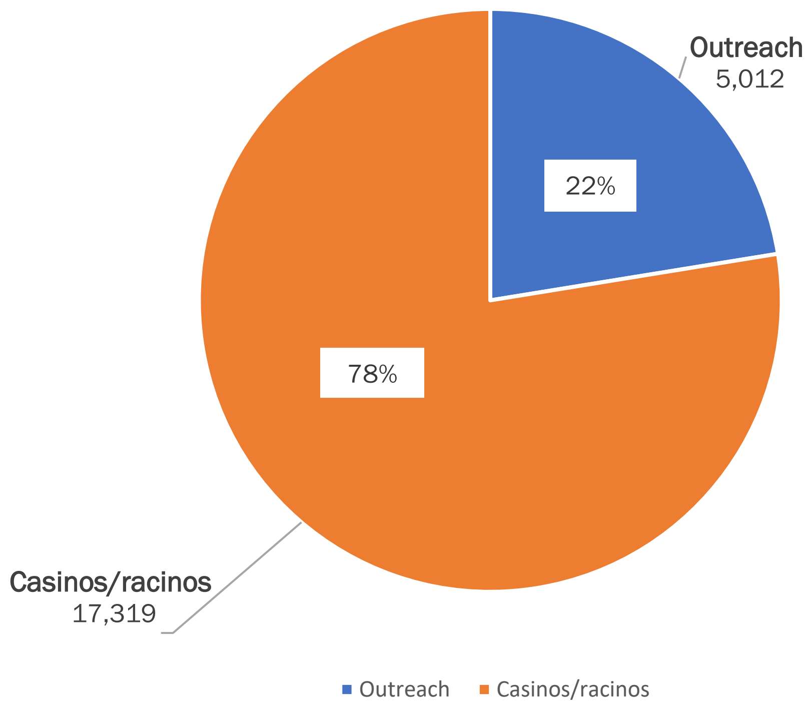
Throughout the previous gaming-related disparity studies, PPI researchers and the IGC worked with two advisory groups and considered many factors, including previous disparity experiences, the degree of judgment needed in various capacity measures, the benefits of a consistent measure of capacity, and the fact that casinos and racinos are private firms rather than public entities. As a result of the first study, the Indiana Gaming Commission now requires the casinos and racinos to report this information for all purchases of goods and services. The data reported by the casinos and racinos includes vendor, purchase type, and—most importantly—NAICS codes. Knowing the NAICS codes allows for the precise definition of the types of goods and services consumed by the casinos and racinos. For example, an analysis of all construction firms would include 32 six-digit NAICS codes even though the casinos and racinos only reported purchasing services from 17 codes. The ability to identify the specific NAICS codes associated with all four types of goods and services enables this analysis to be limited to the specific collection of goods and services used by the casinos and racinos.

In this study the definitions of capacity, utilization, and disparity remain consistent with the three prior studies. Capacity is measured as the number of vendors who have notified the casinos or racinos that they are ready, willing, and able to do business. This is demonstrated by the MBE and WBE firms either doing or having done business with the casinos and racinos in the past five years—the study period—or by having notified the casinos and racinos that they would be ready, willing, and able by asking to be notified of contracting opportunities. Additionally, the original advisory group decided that the casino/racino lists would be complemented with public sector data collected online from the city/town and county in which each casino or racino is located as well as the state of Indiana's vendor list.

Some firms might provide goods or services that would be purchased by a casino or racino but not by the public sector (e.g., gaming devices, alcohol, etc.). As a result, IGC organized and hosted three virtual outreach meetings. These meetings happened during November 2022. Additional components of IGC's outreach were identical to previous outreach efforts and included developing and distributing a vendor survey on the IGC website and Facebook page. The online survey was available during the virtual outreach meetings. Finally, the vendor survey and notice of the outreach meetings were provided to the Indiana Chamber of Commerce, Indiana Department of Administration—which sent direct correspondence to all certified MBE and WBE vendors—local chambers of commerce, Office of Minority and Women Business entities, Indiana Minority Supplier Development Council, National Association of Women Business Owners, select MBE and WBE firms, and the Indiana Casino Purchasing Departments. As a result of these efforts, we believe the maximum number of MBE, WBE, and other vendors were made aware of business opportunities with Indiana's casinos and racinos and are included in this study.

In the final analysis, there were 22,331 unique vendors included in the capacity study. Approximately 17,000 of those firms—or 77%—included in the study were derived from the casino and racino vendor lists. The additional 5,000 firms were identified from the city, town, county, and state vendor lists and other outreach efforts. To the best of our knowledge, no vendor firms are duplicates. Some firms provide more than one type of good or service and as such are included in the capacity estimate for multiple categories of expenditures.

Figure 12: Firms included in capacity estimate by source



CONSTRUCTION CAPACITY

Casinos and racinos reported purchasing construction-related services in 17 NAICS codes between 2017 and 2021, including:

- 236210 Industrial building construction
- 236220 Commercial and institutional building construction
- 237110 Water and sewer line and related structures construction
- 238190 Other foundation, structure, and building exterior contractors
- 238210 Electrical contractors and other wiring installation contractors
- 238220 Plumbing, heating, and air-conditioning contractors
- 238310 Drywall and insulation contractors
- 238320 Painting and wall covering contractors
- 332323 Sheet metal work manufacturing
- 337214 Office furniture manufacturing
- 339950 Sign manufacturing
- 423430 Computer and software wholesaler
- 423610 Electronic apparatus and wiring supplies wholesaler
- 423730 Heating and air-conditioning supplies wholesaler
- 423850 Service establishment equipment and supplies wholesaler
- 484220 Local specialized freight trucking
- 541330 Engineering service

For perspective, according to Dun and Bradstreet data, there were 20,853 firms operating in Indiana in these codes and 387 of them—just 2%-- are identified as MBE. Another 6%—or 1,158—are WBE. However, not all firms on this list are ready, willing, and able to do business with Indiana's casinos and racinos. Furthermore, some firms that did business with casinos and racinos between 2017 and 2021 are not located in Indiana.

The capacity methodology for the 2021 study yielded 1,728 total construction firms as ready, willing, and able to provide construction services, an increase from the 1,202 construction firms in 2017. This increase likely is reflective of the overall spending on construction by casinos and racinos during the pandemic.

Of the 1,728 firms that were ready willing and able to do business with casinos in 2021, we estimate 117 were MBE firms. That represents a slight decline from the 129 in 2017. In addition, we estimate 120 of the 1,728 firms were WBE firms, a slight increase from 116 in 2017. Lastly, there were 1,491 other firms ready, willing, and able to do business with casinos in 2021.

In total, 37 of the 117 MBE firms provided construction services to the casino and racinos during the study period. An additional 80 MBE firms were identified though the outreach efforts (Table 1). Similarly, there were 54 WBE firms that did work or were interested in doing work with the casinos and racinos during the study period. An additional 64 WBE firms were identified from outreach efforts, and two uncertified firms were identified by PPI researchers. Of the 1,491 other firms, 647 did business with a casino or racino, up from 358 in prior study. Another 846 firms were identified during outreach efforts. The two uncertified firms identified as either MBE or WBE were subtracted from the total of the other firms.

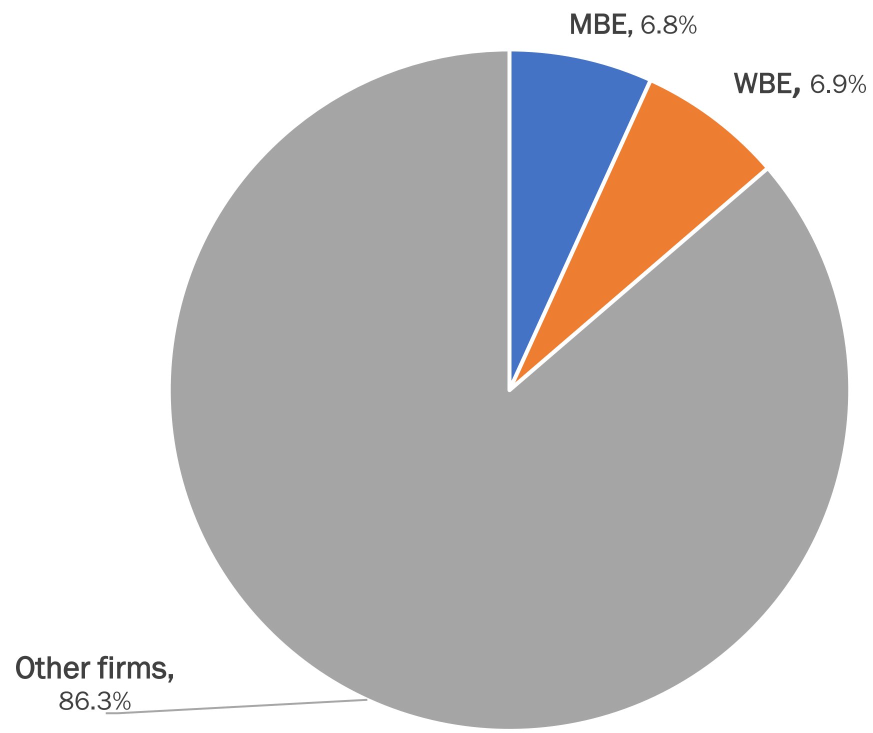
While the construction analysis includes some out-of-state vendors, our analysis estimates the total MBE capacity at 7%, down from 11% in prior study, and WBE capacity at 7%, down from 10% in prior study. The slight decrease in MBE/WBE capacity is primarily attributable to the increase in the number of other firms that either did business with or registered as interested in doing business with the casinos and racinos.

Table 1: Firms included in construction capacity estimates by source

	MBE	% MBE	WBE	% WBE	Other	% Other	Total
Casinos/racinos	37	5%	54	7.3%	647	87.7%	738
Uncertified adjustment	0	-	2	-	-2	-	0
Outreach	80	8.1%	64	6.5%	846	-	990
Adjusted totals	117	6.8%	120	6.9%	1491	86.3%	1,728

In summary, the capacity for construction services includes 1,728 firms (Table 1 and Figure 13). Of these, 117 are MBE construction firms that PPI estimates are ready, willing, and able to do business with Indiana's casinos and racinos. There are 120 WBE construction companies identified as ready, willing, and able to do business with Indiana's casinos and racinos.

Figure 13: Construction capacity by firm type



PROCUREMENT CAPACITY

In this capacity study the term procurement is intended to represent the purchase of goods and supplies rather than services. More specifically, the casinos and racinos reported making procurement purchases from 35 NAICS codes between 2017 and 2021, including:

- 315229 All other cut and sew apparel manufacturing
- 322232 Envelope manufacturing
- 323110 Commercial printing
- 323113 Commercial screen printing
- 325992 Photographic film, paper, plate, and chemical manufacturing
- 334290 Other communication equipment
- 337214 Office furniture (except wood) manufacturing
- 339943 Marking device manufacturing
- 339950 Sign manufacturing
- 339999 Other miscellaneous manufacturing
- 423420 Office equipment merchant wholesalers
- 434430 Computer and computer peripheral equipment and software merchant wholesalers
- 423450 Medical, dental, and hospital equipment and supplies merchant wholesalers
- 423610 Electrical equipment, wiring supplies, and related equipment merchant wholesalers
- 423840 Industrial supplies merchant wholesalers
- 423850 Service establishment equipment and supplies merchant wholesalers
- 423990 Other miscellaneous durable goods merchant wholesalers
- 424120 Stationery and office supplies merchant wholesalers
- 424130 Industrial and personal service paper merchant wholesalers
- 424410 General line grocery merchant wholesalers
- 424420 Packaged frozen food merchant wholesalers
- 424460 Fish and seafood merchant wholesalers
- 424490 Other grocery and related products merchant wholesalers
- 444130 Hardware stores
- 451110 Sporting goods stores
- 453210 Office supplies and stationery stores
- 541410 Interior design services
- 541512 Computer systems design s
- 541860 Direct mail advertising
- 541870 Advertising material distribution services
- 541890 Other advertising
- 561612 Security guards
- 561720 Janitorial services
- 711310 Promotion of performing arts
- 722310 Food service contractors

For perspective, 49,266 procurement firms operating in Indiana during 2017 fell into these code categories. Of those, 1,007 (2%) were identified as MBE. Another 3,459 (7%) were WBE. However, not all the firms were ready, willing, and able to do business with Indiana's gaming industry. Furthermore, some firms that did business with the casinos and racinos between 2017 and 2021 are not located in Indiana.

Using the same data sources and methodology described in the introduction to the capacity section—which is identical to the process in our previous studies—our procurement capacity estimates are based on 11,223 total firms. We estimate there were 123 MBE firms that were available for business with casinos and racinos in 2021, down from 249 firms in prior study. In addition, there were 309 firms WBE firms in this position in 2021 compared to 550 in the previous study. Lastly, there were 10,791 other firms available in 2021, down from 14,177 in 2017 (Figure 14).

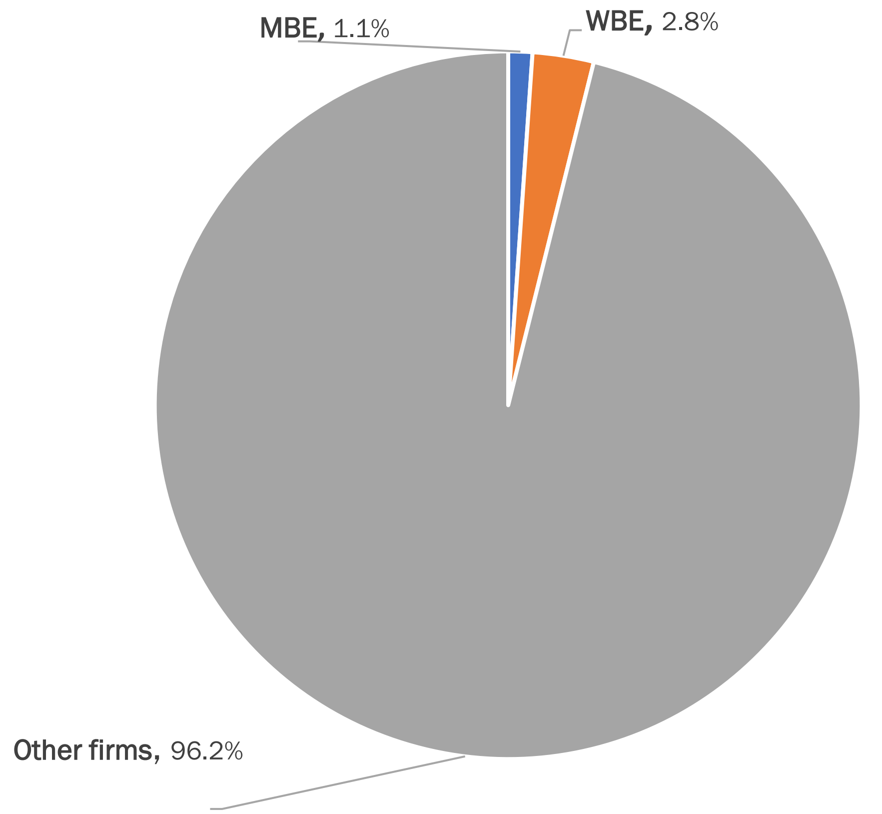
The decline in the number of firms included in the capacity estimates are likely influenced by a precipitous decline in casino spending on procurement goods—$878 million between 2017 and 2021 compared to $1.1 billion in prior study—and a corresponding decline from 73 NAICS codes in 2017 to 35 in the current study. These declines were likely influenced by the pandemic but will dramatically reduce opportunities for procurement firms if they become permanent.

In total, 41 ready, willing, and able MBE firms sold goods to casinos and racinos during the study period. Outreach efforts identified 52 additional MBE firms, including other lists of certified vendors, outreach meetings, and the online survey. PPI researchers identified 30 uncertified MBE firms in the process. Similarly, there were 103 WBE firms that sold procurement goods to casinos and racinos during the study period. An additional 134 WBE firms were identified from outreach efforts. PPI researchers identified 72 firms as uncertified. There were 9,304 other firms that sold procurement goods to at least one casino or racino. Outreach efforts identified 1,589 additional other firms. The 102 uncertified firms identified as either MBE or WBE by PPI were subtracted from the total of other firms.

Table 2: Firms included in construction capacity estimates by source

	MBE	% MBE	WBE	% WBE	Other	% Other	Total
Casinos/racinos	41	0.4%	103	1.1%	9,304	98.5%	9,448
Uncertified adjustment	30	-	72	-	(102)		-
Outreach	52	2.9%	134	7.5%	1,589	89.5%	1,775
Adjusted totals	123	1.1%	309	2.8%	10,791	96.2%	11,223

Figure 14: Procurement of supplies capacity by firm type



PROFESSIONAL SERVICES CAPACITY

The list of the 14 NAICS categories that casinos and racinos reported contracting for professional services from between 2017 and 2021 includes:

- 236220 Commercial building
- 238210 Electrical contracting
- 323110 Commercial printing
- 323113 Commercial screen printing
- 337214 Office furniture
- 423430 Computer merchant wholesalers
- 524210 Insurance agencies and brokerages
- 541330 Engineering services
- 541410 Interior design services
- 541430 Graphic design services
- 541860 Direct mail advertising
- 541890 Other services related to advertising
- 561110 Other administrative services
- 711210 Casinos

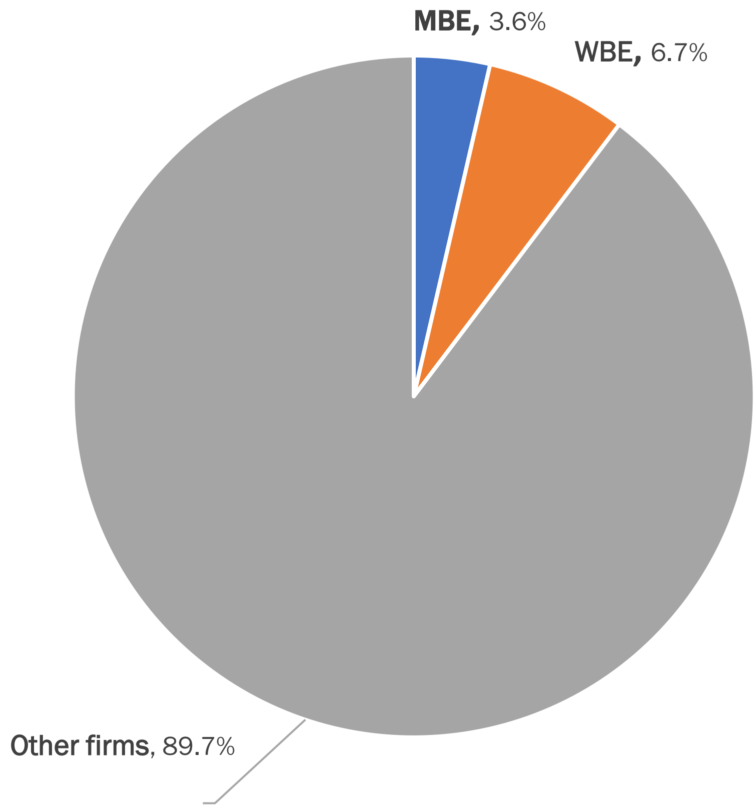
Using the same data sources and methodology described for construction and procurement that were used for the prior studies, our professional services capacity estimates are based on 3,349 total available firms for 2021. We estimate there are 122 MBE firms (up from 111 in prior study), 224 WBE firms (up from 207 in prior study), and 3,003 other firms (compared to 2,878 in prior study) that are ready, willing, and able to do business.

In total, 26 of the 122 ready, willing, and able MBE firms did work with casinos and racinos during the study period. Another 75 were identified though outreach efforts including other lists of certified vendors, the outreach meetings, and the online survey. PPI researchers identified an additional 21 uncertified professional service firms. Similarly, there were 48 WBE firms that did or were interested in doing work with the casinos and racinos during the study period. An additional 141 WBE firms were identified from outreach efforts, and PPI researchers identified 35 uncertified firms. Of the 3,003 other firms, 1,981 did professional services work with a casino or racino. Another 1,078 were identified through outreach efforts. The 56 uncertified firms that identified as either MBE or WBE were subtracted from the total of the other firms. Table 3 displays the sources of data used in the study.

Table 3: Firms included in construction capacity estimates by source

	MBE	% MBE	WBE	% WBE	Other	% Other	Total
Casinos/racinos	26	1.3%	48	2.3%	1,981	96.4%	2,055
Uncertified adjustment	21	-	35	-	(56)	-	-
Outreach	75	5.8%	141	10.9%	1,078	83.3%	1,294
Adjusted totals	122	3.6%	224	6.7%	3,003	89.7%	3,349

Figure 15: Professional service capacity by firm type



OTHER SERVICES CAPACITY

The list of the 21 NAICS categories that the casinos and racinos reported contracting for other services between 2017 and 2021 includes:

- 238210 Electrical contractors
- 238220 Plumbing, heating, and air conditioning contractors
- 323110 Commercial lithograph printing
- 323113 Commercial screen painting
- 323119 Other commercial printing
- 339950 Sign manufacturing
- 423420 Office equipment merchants
- 423430 Computer equipment merchants
- 423850 Service establishment equipment merchants
- 424130 Personal service paper merchants
- 485990 Transit and ground passenger transportation
- 524210 Insurance agencies
- 541430 Graphic design services
- 541870 Advertising material distribution services
- 541890 Other services related to advertising
- 561720 Janitorial services
- 561730 Landscaping services
- 562910 Remediation services
- 722211 Limited-service restaurants
- 811420 Reupholstery and furniture repair
- 813320 Dry cleaning

For perspective, there were 44,167 other service firms operating in Indiana. Of those, 957 (2%) are identified as MBE while 2,942 (7%) identify as WBE (Figure 16). However, not all firms are ready, willing, and able to do business with Indiana's gaming industry and some firms that have done business with the casinos and racinos between 2017 and 2021 are not located in Indiana.

Using the same data sources and methodology described for construction, procurement of supplies, and professional services—which are identical to the prior process—our other services capacity estimates are based on 6,031 total ready, willing, and able firms. We estimate there were 155 MBE firms ready, willing, and able to do other services business with casinos and racinos in 2021. That's a decrease from 253 firms in 2017. In addition, there were 338 WBE firms in 2021—down from 510 WBE firms in the prior study—and 5,538 other types of firms—compared to 6,222 in 2017—that were ready, willing, and able to do other services business with casinos and racinos.

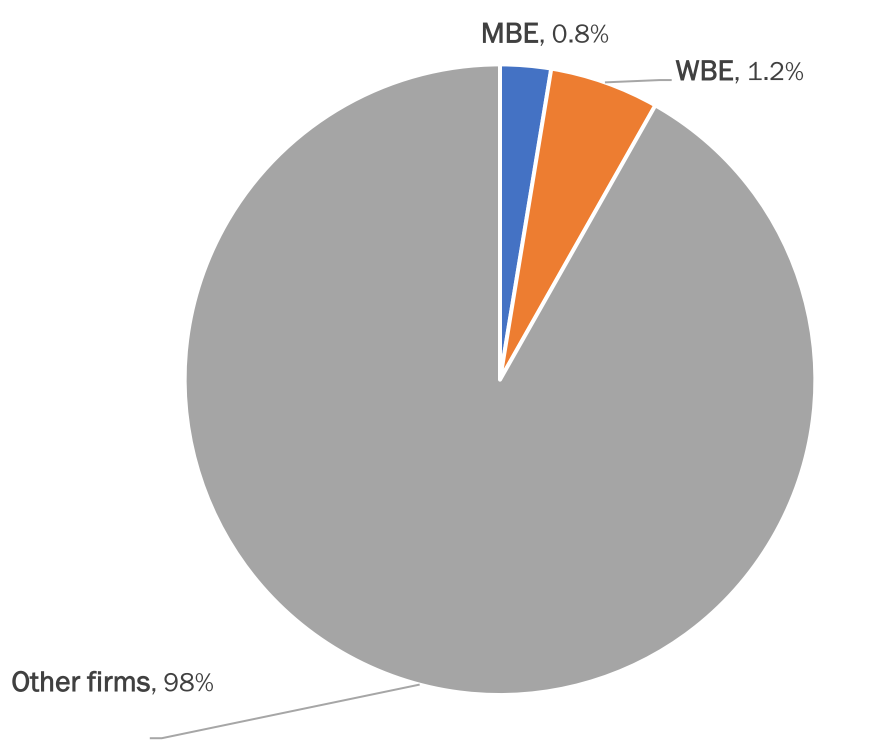
The decline in the number of MBE and WBE firms included in the capacity estimates is attributable to a decline from 39 NAICS codes in previous studies to 21 in the current study. The declines were likely influenced by the pandemic but will dramatically reduce opportunities for procurement firms if they become permanent.

In total, 40 ready, willing, and able MBE firms worked with the casinos and racinos during the 2021 study period. Another 31 MBE firms were identified though outreach efforts, and 84 uncertified nonprofessional service firms were identified by PPI researchers. Similarly, there were 62 WBE firms that did or were interested in doing work with the casinos and racinos during this study period. An additional 70 WBE firms were identified from outreach efforts, and 206 uncertified firms were identified by PPI researchers. Of the 5,538 other firms, 4,976 performed other services work with a casino or racino. The 290 combined uncertified firms identified as either MBE or WBE were subtracted from the total of other firms. Table 4 displays the sources of data used in the study.

Table 4: Firms included in other services capacity estimates by source

	MBE	% MBE	WBE	% WBE	Other	% Other	Total
Casinos/racinos	40	0.8%	62	1.2%	4,976	98%	5,078
Uncertified adjustment	84		206		(290)		-
Outreach	31	3.3%	70	7.3%	852	89.4%	953
Adjusted totals	155	2.6%	338	5.6%	5,538	91.8%	6,031

Figure 16: Nonprofessional service capacity by firm type



CAPACITY SUMMARY

Table 5 presents a summary of the capacity estimates for all four industry groups. The highest estimated MBE capacity is in the construction services industry category while the lowest WBE capacity estimate is in the procurement of supplies category.

Table 5: Capacity estimates by industry category and firm type

	Total firms	MBE	WBE	Other firms
Construction	1,728	6.8%	6.9%	86.3%
Procurement	11,223	1.1%	2.8%	96.2%
Professional services	3,349	3.6%	6.7%	89.7%
Nonprofessional services	6,031	3.6%	6.7%	89.7%

PART 5: DISPARITY DETERMINATIONS

DISPARITY DETERMINATIONS

Disparity is defined as the difference between capacity and utilization. A statistical analysis known as the z-test is used to determine whether the disparity is within an acceptable margin of error or is likely a result of discriminatory practices that prevent MBE and WBE businesses from gaining the estimated potential share of casino and racino expenditures.

Ideally, capacity and utilization would be identical, and the disparity measure would be zero. For the purposes of a disparity study, a disparity measure of less than zero—a negative number—suggests an underutilization of MBE or WBE firms, and a disparity measure of greater than zero suggests overutilization.

This analysis presents disparity in terms of the difference in dollars estimated to be expended (estimated capacity) and actual dollars spent (utilization), as well as the difference in the estimated number of firms (estimated capacity) and the actual number of firms contracting with Indiana's casinos (utilization). As with the previous measures of utilization and capacity, the data are presented by category: construction, procurement of supplies, professional services, and other services. A summary table addressing disparity findings in all industry groups concludes this analysis.

The following are the definitions of terms and calculation methods for expenditure disparity:

- Estimated capacity of dollars available: This is calculated by determining the share of MBE and WBE firms that are ready, willing, and able to serve Indiana's casinos and then dividing that number by the total estimated number of firms, including other types of firms. For example, the total amount spent by Indiana's casinos and racinos on construction during the study period was $412 million and approximately 7% of the ready, willing, and able firms were estimated to be MBE. When we multiply the estimated share of MBE capacity by the total construction expenditures, we estimate MBE construction spending capacity at $27.9 million.
- Actual utilization of dollars: The sum of all dollars reported as being spent by the type of firm within each industry category.
- Actual share of dollars expended: This amount is calculated by dividing the amount spent with each type of firm by the total dollars spent in each category.
- Estimated share of dollars spent: This amount is calculated by dividing the estimated capacity of dollars available for each type of firm by the total dollars spent by Indiana's casinos and racinos in each industry category.
- Disparity of dollars: The difference between the expected and actual expenditures by Indiana's casinos and racinos by type of firm.

CONSTRUCTION DISPARITY

Construction spending with MBE and WBE firms exceeded expected expenditure levels (Table 6). Indiana's casinos spent more than $80 million more with MBE construction firms than might have been expected. They spent $4.5 million dollars over estimated capacity with WBE firms.

Table 6: Construction expenditure disparity (2017–21)

	Estimated capacity	Actual utilization	Disparity	Estimated capacity (%)	Actual utilization (%)	Rate disparity
MBE	$27,896,491	$108,321,668	$80,425,177	6.8%	26.3%	19.5%
WBE	$28,611,785	$33,188,178	$4,576,393	6.9%	8.1%	1.1%
Other	$355,501,434	$270,499,864	$(85,001,570)	86.3%	65.7%	-20.6%

There is neither MBE nor WBE disparity for casino and racino construction spending. The MBE construction capacity estimate decreased from nearly 11% in the prior study to about 7% in this study. The WBE estimate decreased slightly from 10% to 7% during the same period. Casino MBE spending increased from 14% to more than 26%, while WBE spending decreased from 11% in the prior study to 8%. The casinos spent a much higher amount per MBE firm ($925,826) and WBE firm ($278,568) than they did with other types of firms ($181,422).

PROCUREMENT DISPARITY

Casino expenditures on supplies with both MBE and WBE firms exceeded the estimated capacity (Table 7). MBE procurement firms received more than $52 million more than might have been expected. WBE firms received more than $59 million more than the estimated capacity. While there is no disparity, casino procurement expenditure declined as a share of total procurement expenditures for MBE from 9% in the prior disparity study to 7% in 2021. However, this number increased for WBE firms, from 9% to 10%. This trend should be monitored.

Table 7: Procurement of supplies expenditure disparity (2017–21)

	Estimated capacity	Actual utilization	Disparity	Estimated capacity (%)	Actual utilization (%)	Rate disparity
MBE	$9,623,269	$62,052,184	$52,428,915	1.1%	7.1%	6%
WBE	$24,175,529	$83,319,728	$59,144,200	2.8%	9.5%	6.7%
Other	$844,265,797	$732,692,682	$111,573,115	96.2%	83.4%	-12.7%

Spending per firm was much higher for MBE firms ($504,489) and WBE firms ($269,643) than it was for other types of firms ($67,898).

PROFESSIONAL SERVICE DISPARITY

Casino expenditures on professional services with both MBE and WBE firms exceeded the estimated capacity (Table 8). MBE procurement firms received at least $5.5 million more than might have been expected. WBE firms received at least $2 million more than the estimated capacity. While there is no disparity, capacity estimates increased slightly for both MBE firms—from 3.5% to 3.6%—and WBE firms—from 6.5% to 6.7%-- while professional service expenditures decreased from 17% in the prior study to 8% for MBE in the current study and from 11% utilization for WBE firms in the prior study to 8% in this study. While there is neither MBE nor WBE disparity, the trends are troubling and should be monitored on an annual basis going forward.

Table 8: Professional services expenditure disparity (2017–21)

	Estimated capacity	Actual utilization	Disparity	Estimated capacity (%)	Actual utilization (%)	Rate disparity
MBE	$4,804,171	$10,315,392	$5,511,221	3.6%	7.8%	4.2%
WBE	$8,820,773	$10,842,839	$2,022,066	6.7%	8.2%	1.5%
Other	$118,253,493	$110,720,206	$(7,533,287)	89.7%	84%	-5.7%

Once again, the casinos spent more per MBE firm ($84,552) and WBE firms ($48,406) than for other types of firms ($36,870).

OTHER SERVICES DISPARITY

Casinos overutilized both MBE and WBE other service firms. MBE firms received at least $12 million more than would have been expected and WBE firms received at least $8 million more than expected (Table 9). While there is no disparity, the share of casino spending with MBE and WBE nonprofessional service firms continued to decline. MBE firms' share of total other services declined from 14% in the prior study to 8% in the current study and WBE expenditure shares decreased from 11% to 9%. This trend should also be monitored on an annual basis.

Table 9: Other services expenditure disparity (2017–21)

	Estimated capacity	Actual utilization	Disparity	Estimated capacity (%)	Actual utilization (%)	Rate disparity
MBE	$6,022,127	$18,422,803	$12,422,803	2.6%	7.9%	5.3%
WBE	$13,132,121	$21,301,094	$8,168,973	5.6%	9.1%	3.5%
Other	$215,164,754	$194,572,978	$20,591,776	91.8%	83.0%	-8.8%

Once again, the casinos spent more per MBE firm ($119,000) and WBE firms ($63,021) than they did for other types of firms ($35,134).

CONCLUSIONS

There is no finding of MBE or WBE disparity. However, MBE and WBE spending trends continue a slow but steady decline while capacity estimates remained relatively stable despite pandemic-related changes in casino spending. This was particularly true in the procurement category which fell from 73 NAICS categories to 35. The downward trend in casino spending with MBE and WBE firms and the possibility of pandemic-induced changes to casino spending patterns may represent long-term spending changes. This finding suggests the need for annual monitoring of casino spending patterns to avoid disparity findings in the next study.

Table 10: Disparity by industry category (2017–21)

	Construction	Procurement	Professional services	Other services
MBE capacity	$27,896,491	$9.623,269	$4,804,171	$6,022,127
MBE utilization	$108,321,668	$62,052,184	$10,315,392	$18,444,929
MBE disparity	$80,425,177	$52,428,915	$5,511,221	$12,422,803
WBE capacity	$28,611,785	$24,175,529	$8,820,773	$13,132,121
WBE utilization	$33,188,178	$83,319,728	$10,842,839	$21,301,094
WBE disparity	$4,576,393	$59,144,200	$2,022,066	$8,168,973

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