



Supporting Historically Underutilized Businesses as a Foundation for Equitable Development in North Carolina

North Carolina should commit to strategies that ensure that firms owned by people of color and women thrive in order to infuse the state's economy with newfound vigor.

Background

North Carolina is a state with a richly diverse population, which presents the opportunity to build a vibrant and inclusive economy. Recognizing this, the Office of Historically Underutilized Business (HUB) was created in 1999 by Governor Jim Hunt to provide an intentional strategy to incorporate business diversity into the state's procurement and contracting opportunities.¹ The office offers certification and support to firms defined to be "at least 51 percent owned by one or more minority persons or socially and economically disadvantaged individuals".² For nearly 20 years, the office has promoted "economic opportunities for historically underutilized businesses in state government contracting and procurement" that has fostered growth and profitability.³

State entities, particularly public school systems and community colleges, have not taken full advantage of opportunities to engage and employ historically underutilized businesses during the past two decades. This is disappointing, given the local nature and broad coverage of these systems across North Carolina. While HUB certification rates have been less than desired, there are 3,247 HUB entities ready to do business with the state of North Carolina. That is an average of about 32 per county, yet the utilization rates in many communities do not reflect these prospects.

Engaging directly with HUB owners has revealed trends that inhibit their ability to be more competitive in the procurement process. They state that persistent undercapitalization and network exclusion lock their enterprises in a state of competitive disadvantage, even with the support of the Office of Historically Underutilized Business.⁴ Focused and intentional local policy directed toward 1) incorporating HUBs into capital projects (baseball stadiums, transit hubs, park revitalizations, etc.), 2) establishing local HUB utilization goals, and 3) leveraging/ creating a collaboration with community foundations and banks to provide capital, would go a long way in helping established firms of color and women grow and plant the seeds for new ones to emerge.

Equitable development is the key to the future of North Carolina's long-term economic success. Whether intentional or not, underutilizing firms owned by people of color and/ or women not only causes individual communities to lose out, but the state is also robbed of a stronger tax base, a more

¹ Executive Order 150, Support for Historically Underutilized Businesses, Governor James B. Hunt. <https://files.nc.gov/ncdoa/hub/documents/order.pdf>

² 15 U.S.C. 637

³ About HUB, North Carolina Department of Administration. <https://ncadmin.nc.gov/businesses/hub/about-hub>

⁴ Historically Underutilized Businesses: Opportunities for Growth in North Carolina, William Munn.

<http://www.ncjustice.org/?q=budget-and-tax/btc-report-historically-underutilized-businesses-opportunities-growth-nc>

resilient business culture and the chance to develop communities equitably. As the state's population is projected to become increasingly non-white, ensuring that all businesses have access to capital and opportunity — so that they can pay their employees and neighbors a living wage — is the only way leaders can ensure prosperity for all.

Current Context

- In several communities where people of color make up more than 50 percent of the population, the HUB utilization rate is less than 1 percent.
- There are 287,058 firms in North Carolina owned by women and 112,941 firms owned by African Americans.
- Out of \$600,221,228 spent on goods and services, North Carolina's community colleges only spent \$7,861,121 with HUBs of color in 2016-2017.
- Out of \$2.2 billion dollars spent on goods and services, North Carolina's public school systems only spent \$59,184,433 with HUBs of color in 2016-2017.
- Undercapitalization plagues enterprises of color. Firms owned by people of color and/ or women with receipts less than \$500,000 experienced loan denial rates of 42 percent, compared to those of 16 percent for non-minority firms.
- In the face of structural and financial barriers, 183,380 enterprises of color still generated \$20.7 billion in 2012, up from 131,826 firms and \$16.1 billion in 2007. If actively supported, business creation and increases in receipts could only be expected to grow.

Questions for Candidates

- Do you see the importance of ensuring that businesses that have been historically excluded from opportunity are able to access public contracts?
- Are you willing to work toward setting a goal for our community to reach the target (or surpass it) in a few years?
- How can I work with you to address the underutilization of Historically Underutilized Businesses?
- Will you commit to addressing the disparities in unemployment that exist between whites and people of color in North Carolina?
- Will you work toward ensuring North Carolina pursues full employment for all of its citizens?