

**From Exclusion to Inclusion:
The Need for a New Chattanooga Way**

The Unity Group

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Leveling the Playing Field: Disparities in Chattanooga

The events of the past several months have been monumental in Chattanooga and beyond. The African American community and a diverse cadre of supporters have united to change the status quo. The Unity Group supports calls for change in budgeting, criminal justice, and the Chattanooga Way.

This brief report analyzes two legs of the Chattanooga Way stool—city government and foundations. The issues identified in this report reinforce one another. Minority businesses and causes are not on an even playing field. They lack the social networks and “capacity” needed to secure contracts with local government and funding from foundations. Consequently, racial disparities in Chattanooga fester and persist. A new community development model is needed.

The Unity Group recently received a copy of the City of Chattanooga’s 2019 Disparity Study conducted by Griffin & Strong P.C. To date, the report’s findings have not been presented to the public or discussed in local media. The report is another piece of evidence that people of color face incredible obstacles to economic and social justice in Chattanooga.

The study found that Minority Business Enterprises (Minority Business Enterprises and Female Business Enterprises, collectively referred to as MWBEs) are not getting their expected share of City of Chattanooga contracts. As the report states, “While there may be active discrimination occurring in the marketplace, this study and its resulting evidence point to the ‘present effect of past discrimination’ impacting MWBE firms’ ability to equitably participate in the contracting process.”

This finding begs the question: Given past discrimination in procurement networks, how do we level the playing field? How do we nurture minority businesses to compete in Chattanooga? We’ve all grown accustomed to the Chattanooga Way—a committed network of civic leaders, business entrepreneurs, local foundations and nonprofits, and community groups that have worked harmoniously to rebuild Chattanooga. Given the findings of the disparity study, we call on Chattanooga to forge a new Chattanooga Way that promotes equity over all other priorities. The future of Chattanooga depends on new collaborations and bold leadership centered on equity.

Disparity Report Findings

Overall, the 300+ page report is scientifically rigorous and the conclusions are consequential. The authors analyzed contracting in Construction, Architecture and Engineering, Professional Services, Other Services, and Goods between 2013 and 2018.

The research questions were as follows:

1. Is there a statistically significant disparity in the relevant geographic and product markets between the percentage of qualified minority and Females owned firms (“MWBE” and “DBE”) willing and able to provide goods or services to the City in each category of contracts and the percentage of dollars spent with such firms by the City (whether as prime contractors/consultants or subcontractors/consultants)?

2. If a statistically significant disparity exists, have factors, other than race and gender, been ruled out as the cause of that disparity, such that there can be an inference of discrimination?
3. Can the discrimination be adequately remedied with race-neutral and gender-neutral remedies?
4. If race and gender-neutral remedies are not sufficient, does the evidence from the Study legally support a race and/or gender-conscious remedial program?
5. Are the proposed remedies narrowly tailored to the strong basis in evidence from the Study? (Page 7).

Major Findings

The findings come directly from the Executive Summary of the disparity study.

1. "...there is a statistically significant disparity in the relevant geographic and product markets between the number of qualified minority and Caucasian Female owned firms ("MWBE") willing and able to provide goods or services to the City in each of the categories of contracts and the number of such firms actually utilized by the City (whether as prime contractors/consultants or subcontractors/consultants). GSPC found that, generally, MWBEs *were statistically significantly underutilized as prime contractors, as subcontractors, and as prime and subcontractors combined in every work category during the Study Period*, (emphasis added) with the exception of Caucasian Female owned firms in Professional services; Caucasian Female in A&E; Hispanic American owned firms in Goods, and Native American firms in Other Service on prime contracts. Chapter VI of the Study also found very low utilization of MWBEs on private sector commercial projects" (page 11).
2. "Having found that a statistically significant disparity exists, race and gender are still significant after controlling for other factors. Specifically, in Chapter VI of the Study, GSPC found that being an MWBE does have an adverse impact on securing public contracting and subcontracting opportunities relative to Non-MWBEs in general" (page 11).
3. "The City of Chattanooga currently has no remedial program for MWBE subcontractors, making any contracting efforts taken during the Study Period, race neutral. Given the significant disparities found for several MWBE groups, this would indicate that race- and gender-neutral remedies alone are insufficient to remedy the identified disparities" (page 11).
4. "GSPC found quantitative and qualitative evidence from the Study to legally support the implementation of race- and/or gender-conscious elements in a remedial program" (p. 11).

Overall, African American vendor utilization was quite low in all 5 business categories. During the study period, African American firms received 0.03 percent of construction contracts, 0.18 percent of Professional Services contracts, 3.43 percent of Other Services contracts, 0 percent of Architecture & Engineering contracts, and 0.14 percent of Goods contracts. Out of \$992.2 million in contracts, African American contractors received \$7,667,398—0.007 percent.

The study also found statistically significant underutilization of MWBEs in prime contracting for African Americans in all five business classifications. In fact, as Table 1 below shows, this relationship held for almost all people of color.

**Table 1: Statistically Significant Underutilization of MWBEs in Prime Contracting
During Study Period
City of Chattanooga Disparity Study**

	Construction	A&E	Professional Services	Other Services	Goods
African American	X	X	X	X	X
Asian American	X	*	X	X	X
Hispanic American	X	*	X		X
Native American	X	*	X	X	X
Caucasian Female	X	X	X	X	X

Source: Griffin & Strong P.C. 2019. Page 25.

The study concludes thusly:

“The depth of the disparity in public contracting and private markets found by GSPC in Chattanooga is not based on one moment in time, specific individual or administration, but a cumulative history. With a local economy seeking to continue its growth, increasing opportunities for businesses owned by people of color, through economic development and supplier diversity are priorities in building equitable and sustainable communities” (p. 157).

The Role of Foundations in Setting the Equity Framework

Chattanooga is blessed with a strong philanthropic community with immense resources. In the past, those resources have been marshalled to support an array of worthy causes ranging from education to community development. Foundations have contributed to massive redevelopment downtown and in urban neighborhoods—sometimes at the expense of the African American community. Given the cumulative impact of past discrimination identified in the Griffin & Strong report, we challenge local foundations to catalyze a new Chattanooga Way that focuses on people over placemaking. In particular, we need investments in the causes supported by protesters and in nonprofits run by people of color.

It is important to understand how philanthropy contributes to the local action agenda. Tens of millions have been distributed to rebuild downtown and to support the gig economy. The bulk of that money flows through organizations that lack people of color—especially in leadership positions. Some of those programs are designed to strengthen low-income communities and people of color.

Genuine community development requires authentic neighborhood organizations that understand the unique challenges facing low-income and communities of color. Most private and nonprofit boards and organizations that receive large grants from local foundations lack diversity. We believe this is the disconnect that contributes to a lack of program impact. If you want to help communities of color, invest in people of color.

At present, the number of African American nonprofit leaders is low and the Chattanooga ecosystem is not diverse. Local foundations have invested in programs to address this void and that is appreciated. For example, recent support for CALEB’s Bail Fund, board recruitment efforts, and Sankofa are steps in the right direction.

A cursory analysis of 990s suggests local foundations have not fully committed to diversifying the nonprofit ecosystem and promoting causes of extreme urgency in communities of color. One barrier to growing a diverse philanthropic ecosystem that specifically responds to communities of color is policy-related. For example, one Foundation's 990 forms include this disclaimer:

From January 1, 2012 through December 31, 2019, grants will be distributed primarily at the initiative of the Foundation through the cultivation of strategic partnerships with organizations which have demonstrated capacity and leadership to engender positive and negative outcomes within the foundation's declared areas of interest.

This policy effectively limits the pool of potential grant seekers. Just as MBWEs face obstacles related to past discrimination, so do nonprofits. Authentic actors working in communities of color are typically not major players in the local philanthropic ecosystem. They are outsiders. They have not had an opportunity to demonstrate capacity. The bulk of philanthropic investments that target lower income communities are funneled through organizations that have successfully networked with civic leaders. Such policies fail to cultivate new partnerships with potential nonprofit entrepreneurs whose "capacity" is unknown by local foundations.

Analysis

This analysis is simple. We analyzed federal 990 forms submitted by two Chattanooga foundations. Next, we tried to determine if the grants went to African American organizations or causes. For example, we considered organizations such as the Bessie Smith Cultural Center, Sankofa Fund, The Urban League, HOPE for the Inner City, the Bethlehem Center, and LAUNCH Chattanooga to be dedicated funding. Likewise, we included funding to causes such as Tech Goes Home, the Ed Johnson Memorial and the Howard School to be dedicated funding. A full list of organizations that received funding received is in the Appendix.

As Table 1 shows, funding directed to primarily African American organizations has been underwhelming. Overall, the two foundations invested \$1,318,425 to primarily African American organizations and causes between 2010 and 2018 (Some 990s were incomplete in 2017 and 2016). That represents 1.26 percent of total foundation grants. We realize that this crude analysis misses additional funding. For example, Causeway is a diverse nonprofit that invests in many worthy ideas. If we assume that all \$2.4 million invested in Causeway by two foundations is dedicated funding, the total percentage of philanthropic grants to African American causes rises to 3.6%. It is important to point out, the Chattanooga History Center—which never launched—received over \$1 million in grants from these two foundations. Assumptions about "capacity" are not always valid.

Table 1: Dedicated Funding by Year, 2010-2018

Year	Dedicated	Total	Percent
2018	\$550,000	\$6,949,751	7.99%
2017*	\$102,000	\$6,466,937	1.58%
2016*	\$162,700	\$6,875,291	2.37%
2015	\$287,700	\$13,150,327	2.19%
2014	\$251,500	\$13,311,433	1.89%
2013	\$142,000	\$10,658,454	1.33%
2012	\$92,500	\$9,013,648	1.03%
2011	\$59,000	\$24,615,797	0.24%
2010	\$19,750	\$20,404,419	0.10%
TOTAL	\$1,318,425	\$104,850,306	1.26%

*Only includes one organization due to incomplete data.

Without a doubt, this limited analysis has missed investments to primarily African American groups and causes. If the numbers are quadrupled to account for potential oversights, that would equate to about 6 percent of total disbursements. Likewise, investments in public education benefit African Americans and everyone else. However, organizations that receive that funding sometime lack employees and leaders who have legitimacy in communities of color.

Foundations generally have focus areas that guide development decisions. We can think of no cause greater than equity and racial justice in Chattanooga, especially now. As past reports have suggested, and recent events hammer home, Chattanooga remains separated by race and class. We challenge the local philanthropic community to build new partnerships with fresh community leaders and organizations. We challenge the local philanthropic community to reassess its values and priorities. We dedicate ourselves to doing our part to build a new Chattanooga Way that is rooted in justice, inclusion, and an authentic voice at the table.

A New Chattanooga Way

The Chattanooga renaissance that local leaders brag about took almost 40 years to reach fruition. It took risk. It took vision. It took billions of dollars. The physical renaissance is a farce if it fails to lift all Chattanoogaans. The evidence in this report suggests the renaissance is incomplete. A New Chattanooga Way would include new faces and diverse voices historically excluded from the important work of rebuilding Chattanooga. A Chattanooga Way with inclusion as its cornerstone is overdue.

Appendix: Organizations Included in Foundation Calculations

- Bessie Smith Cultural Center
- Chattanooga Bar Association Legal Diversity Consortium
- Sankofa Fund
- Bethlehem Center
- Howard School (baseball, band equipment, scholarships)
- Historic African American Cemetery Fund
- CALEB
- Mobile Production Tech Lab Pilot Program at East Lake Academy and Howard
- Design of Learning Model for New Middle School at Howard
- Newcomer Center at Howard High School
- The Urban League
- Ed Johnson Memorial Fund Public Art
- Ed Johnson Documentary
- Tech Goes Home (via Enterprise Center)
- Launch Chattanooga “building a diverse inclusive entrepreneurial community”
- Front Porch Alliance
- Hope for the Inner City
- Chattanooga Organized for Action
- Interfaith Homeless Network
- A Night to Remember African American Museum
- Grace Episcopal SNAP/EBT Grant Food Market
- Olivet Baptist Gang Violence Program
- Chattanooga Theater Center
- Dynamo Studios Tech Lab at East Lake & Howard
- New Middle School Howard