EQUALITY AND EQUITY IN LOCAL ECONOMIC DEVELOPMENT OUTCOMES: WOMEN-OWNED, MINORITY-OWNED, AND VETERAN-OWNED BUSINESS GROWTH AND ECONOMIC DEVELOPMENT SPENDING

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ABSTRACT

We investigate the extent to which local economic development activities, even if not designed to do so, provide a benefit to populations who have not traditionally been the beneficiaries of development outcomes. In so doing, we focus on the impact of local economic development spending on the number and percent of women, minority, and veteran-owned businesses across communities in the state of Texas. We look at the influence of spending from two perspectives, equality and equity. Equal outcomes result when all businesses gain to the same degree, regardless of ownership. Equitable outcomes result if the number of businesses owned by non-traditional owners – women, minorities and veterans – increase more than those owned by traditional business owners. We examine various expenditure categories by city-level economic development corporations (EDCs) in over 100 Texas cities. Our findings show clear evidence of equal outcomes as the result of spending, though the extent to which these non-traditional business owners are uniquely advantaged is less apparent.

LOCAL ECONOMIC DEVELOPMENT AND EQUITY

In his seminal work *City Limits* Peterson (1981) argued that economic growth was in fact the single overriding and unifying challenge for city leaders. Short of accepting this thesis, research on the subject indicates that local economic development in the United States has typically been a significant activity of local leaders (Rigos and Paulson, 1996; Leo, Beavis, Carver, and Turner, 1998; Ross and Levine, 2001; Reese, 2006; Reese and Sands, 2007) – an activity driven among other factors by financial benefits to developers (Molotch, 1976), as well electoral advantage to credit-seeking local elected office-holders (Feiock, Park, Steinacker, and Kim, 2005). In fact, local leaders can be spurred to engage in economic development efforts by residents who become hostile toward local leadership when they feel important aspects of community life, particularly amenities, are not being provided (Dillon and Young, 2011). In the United States, local economic development traditionally involved the use of local resources – land, public funds – to stimulate private investment (Krumholz, 1999). This included activities such as tax abatements, land clearance, and the use of public money to provide infrastructure for private development (Ross and Levine, 2005; Reese, 2006; Reese and Sands, 2007). Strategies were designed to benefit business first-and-foremost. City revenues may be enhanced, tax bases increased, jobs created, and the general quality of life improved if such efforts proved successful. If not successful, some businesses and developers could still benefit – more so than citizens.

During the COVID 19 pandemic, equitable treatment of people by government has come to the forefront of public discourse in the United States. The Black Lives Matter movement, protests against police brutality, and rallies for social justice during the summer of 2020 may be the clearest examples. Accordingly, it has become increasingly relevant to ask about how particular populations are being impacted by various government actions – among these, local economic development efforts. Over time a conceptual shift has occurred, that might be considered a reorientation in values, regarding the process of local economic development. This newer orientation may have relevance for the present and post-pandemic environment in the United States. Traditionally, quality of life improvements were considered affordable options if economic development efforts proved successful. However, during the past several decades, scholars have promoted the idea that rather than being the result of successful development efforts, improved quality of life should be a direct goal of such efforts. Examples of quality of life amenities include recreational opportunities (Carlino and Saiz, 2008; Filion, Charney, and Weber, 2015), downtown nightlife (Clark, 2007), and cultural opportunities such as museums and art galleries (Strom, 2010).

Certainly, there is a financial facet to the idea that economic development efforts should directly promote quality of life, as calls for investment in community amenities address two fundamental goals of local economic development – generation of city revenue and jobs. Florida's (2012) thesis that public investment in amenities attracts desired businesses fits with this model. However, jobs and revenue are not the only possible desired outcomes, rather there is an equity dimension as well. Improvements in citizens' quality of life seem a reasonable return for projects that through government authority invest citizens' money. Underscoring an equity notion, scholars such as Gottlieb (1994), as well as Bruckner, Thisse, and Zenou (1999) note that improved resident amenities are of benefit even if the more traditional goals of economic development efforts are less than successful.

Value placed on social equity, along with more effective return on public money, has guided practitioners, as well as scholars, and there are examples of cities that have consciously placed a premium on equity in economic development efforts. For instance, in cities that have adopted linkage policy, such as Boston and Seattle, economic equity in the form of low and moderate-income housing is the goal. Numerous local governments have used linkage fees to fund social projects, sometimes referred to as Type II policies, to provide a more equitable distribution of development benefits than otherwise might have resulted (Avault and Lewis, 2000). These examples of how economic development goals incorporate a value on equity are drawn from strategies specifically designed to promote these goals. Benefits to traditionally underserved populations, however, might also result in the absence of specific strategies to achieve these ends.

NON-TRADITIONAL LOCAL BUSINESSES OWNERS: EQUAL AND EQUITABLE OUTCOMES

Equity considerations address the distribution of public services and question whether these services are provided in an equitable manner (Frederickson, 2010). Equity frameworks in community and social groups create their own bases of power, providing certain groups the ability to accumulate a disproportionate share of community goods. Additionally, groups reaping the benefits of goods and services, convince groups on the outside to acquiesce to the equity structure within the unbalanced distribution of goods and services (Walster and Walster, 1975). In the delivery of public goods and services, groups on the outside of the equity structure may not receive fair economic development allocations based on the co-opted imbalance of power within community groups. Accordingly, in the context of local economic development efforts it is relevant to ask if community economic development activities provide some measure of equity to populations who have not traditionally been the beneficiaries of development outcomes. To address this issue, <u>we investigate the extent to which local economic development activities, even if not designed to do so, provide a benefit to populations who have not traditionally been the beneficiaries of development</u>

outcomes. Specifically, we investigate the impact of local economic development spending on the number and percentage of women, minority, and veteran-owned businesses.

With public money allocated toward local economic development efforts, it is reasonable to expect that benefits will accrue broadly to various members of the public. Much of government spending on economic development, such as the provision of infrastructure, marketing, and various booster efforts, can be about creating a healthy business climate. Local economic development activities involve the use of public money, often a substantial portion of available public funds. The allocation of public resources fosters expectations that the public, broadly defined, benefits. Specific to present purposes, local government spending on economic development does matter when observed from the perspective of the number of business establishments in a community, and local spending on economic development efforts can promote the number of firms in sectors such as retail, transportation, healthcare, and accommodations (Vanderleeuw, Moore, and Ilote, 2020).

As members of the local business community, women, minority and veteran business-owners should be expected to benefit from the allocation of public resources, even in the absence of specific strategies to do so. The question is the nature of this benefit. Our investigation into the influence of economic development spending investigates two types of economic outcomes – equal outcomes and equitable outcomes. Equal outcomes occur if as a result of spending all businesses gain to the same degree, regardless of ownership. For example, there is the same rate of growth in the number of women-owned businesses as in all businesses in a community. In contrast, equitable outcomes occur if the number of businesses owned by non-traditional business owners increases more rapidly than all businesses in a community. Equity here means that disparities in business ownership are to some extent being addressed by economic development spending.

IMPEDIMENTS TO LOCAL NON-TRADITIONAL BUSINESS OWNERS REGARDLESS OF PROGRAM DESIGN

Traditionally, women, minorities, and veterans have comprised a small segment of the business sector. Historic impediments to minority and women-owned business in particular include barriers in education, lower personal wealth, geographical location, education, limited access to capital, and discriminatory practices as it related to these areas (Barr, 2016; Liu and Parilla, 2020a). The importance of minority business in terms of economic influence and the need to devote resources to these groups was underscored in 1969 with the establishment of the Minority Business Development Agency (the MBDA serves businesses owned by African Americans, Asian Americans, Hasidic Jews, Hispanic Americans, Native Americans and Pacific Islanders – Minority Business Development Agency, 2021). While over time there has been growth in the number of businesses owned by women, minorities, and veterans, each still comprises a relatively small segment of the business community in the United States. Women owned 19.9%, minorities 18.3%, and veterans 5.9% of all businesses in 2019 (Annual Business Survey Release Provides Data on Minority-Owned, Veteran-Owned and Women-Owned Businesses, 2021).

Our current research uses economic development spending that is not targeted toward non-traditional business owners. In many cases, however, the distinction between targeted programs and non-targeted spending efforts can be more form than substance. The success of efforts strategically put into place to assist non-traditional business owners depends on how money and resources are actually allocated, as well as the effectiveness of communication regarding the program. Women, minority, and veteran business owners often receive less than their fair share from programs ostensibly expected to assist them, such as the Paycheck Protection Program (PPP) (Plerhoples, 2021). This program, geared to help small business owners, wound up reaching only a small percentage of minority-owned businesses. As Plerhoples (2021) notes, 60% of White business owners were successful at receiving assistance but only 29% of Black business owners were successful. According to research by Liu and Parilla (2020b), because of a lack of long-standing relationships with major banks, small business access to PPP loans was disproportionately delayed in minority neighborhoods by contrast to predominantly White neighborhoods. Plerhoples (2021) posits that the discrepancy in the distribution of assistance might have have been alleviated had the PPP program gathered information about the applicant's race at the time of determination.

Palmer (2021) argues that this type of discrepancy in favor of non-minority applicants, even in programs designed to facilitate non-traditional business owners, may act to discourage some otherwise deserving business owners from applying for assistance. Therefore, programs designed to advantage non-traditional owners may in reality act like programs not designed to do so. Michael and Paniati (2021) note that funded initiatives per se are insufficient minus decided steps to ensure the money reaches intended targets; it is not funding per se, but the ability to capture data on groups targeted for assistance and training regarding the application process that can matter (see Blount and Hill, 2015, regarding minority businesses; Heriot, Dickes, and Jauregu, 2017, regarding veteran-owned businesses; Orser, Riding, and Weeks, 2019, regarding women-owned businesses).

A survey of Black small business owners in an area of Virginia highlights the types of issues that confront Black entrepreneurs (Sledge, 2021). Though the survey was conducted in the context of the Covid-19 pandemic, the identified issues are the same as those faced by Black business-owners noted by other scholars, Covid-19 notwithstanding and regardless of the type of program providing funding. According to survey results, issues Black small-business owners confronted in applying for various sources of aid, including PPP aid, involved the absence of return contact after the initial inquiry, lack of transportation to travel to the relevant office, lack of assistance with the application process, misunderstanding the qualifications, and lack of timely notification of aid opportunities. In sum, benefits may not accrue to non-traditional business owners regardless of intent of the program. Therefore, it is relevant to examine the relationship between non-traditional business growth and local government spending on economic development, even when the spending is nontargeted, to identify how these business owners might benefit and uncover any biases that might exist.

LOCAL ECONOMIC DEVELOPMENT IN TEXAS – ECONOMIC DEVELOPMENT CORPORATIONS

Our guiding question is the extent to which local economic development spending, even when not designed to do so, advantage groups who have not traditionally been the beneficiaries of development outcomes. Our focus in addressing this is on women, minority, and veteran-owned businesses. We are interested in whether the economic outcome is in terms of equality or equity, and will investigate the relation between economic development spending and non-traditional business ownership at the city level in the state of Texas.

Historically, local economic development in the state of Texas has been augmented through city-level economic development corporations (EDCs). Governed by a board who selects a director, a city-level EDC is adopted via a public vote. City sales tax is by state law restricted to 2%, but up to one quarter of this can be allocated for EDC use to fund development projects (Longley, Adams, Moore, and Fort, 2015). While most states have EDCs at the county or regional level, Kansas, New Mexico, and Texas make systematic use of city-level EDCs (Jarmon, Vanderleeuw, Pennington, and Sowers, 2012). Cities in Texas rely heavily on local EDCs to provide funding and activities to maintain a vibrant local economy. Due to the multitude of city-level EDCs and geographically, socially, and economically diverse cities, Texas provides a superb environment context for a study of economic development spending.

Efforts in economic development can focus on a variety of factors including policies on financial redistribution, business focused endeavors, and quality of life initiatives. Within the state of Texas, economic development has focused on the use of taxes for redistribution for economic development and legislated by the Development Corporation Act of 1979. This Act allowed the creation of nonprofit corporations which could "promote industry and manufacturing within the municipality and its vicinity" (Thomas, 2020). The Development Corporation Act of 1979 established an initial sales tax authorization under Section 4A, which was established for projects focused on economic development through promotion or expansion of industrial or manufacturing activity. Defined as Developing Industries, 4A EDCs focus on funding industrial development within a community. They are intended to fund projects that create "business infrastructure, manufacturing, and research and development" (Texas Comptroller, 2018). In addition, 4A EDC resources may be used for job training along with transportation infrastructure, including aviation facilities, light rail, bus operations, and ports. Toward this end, 4A EDC funding may be used for "land, buildings, equipment, facilities expenditures, targeted infrastructure improvements" that are focused on manufacturing and industrial development (Texas Comptroller, 2018).

In 1991, the Texas Legislature authorized a new sales tax in Section 4B that allowed cities to utilize funds for similar projects approved by Section 4A, but expanded to include funding for projects that are typically viewed as community development. In 2009, the Development Corporation Act was recodified to refer to EDCs as "Type A" and "Type B" (Texas Comptroller, 2020). Type B Corporations may utilize revenues on expenditures similar to Type A Corporations, as well as projects which improve the quality of life within their community. Specifically, Type B Corporations may use funds to purchase "land, buildings, equipment, facilities, targeted infrastructure improvements" that are used for community improvements for the quality of life of the citizenry; examples of acceptable quality of life expenditures by Type B Corporations include "sports facilities, entertainment facilities, public parks, related store, restaurant, concession, parking and transportation facilities" (Texas Comptroller, 2018). Spending may be used for street, water and sewer facilities which are necessary improvements to support quality of life capital improvements, as well as funding to promote new business enterprises through the funding of "public safety facilities, recycling facilities, street and road improvements, demolition of existing structures, and maintenance and operating costs associated with projects" (Texas Comptroller, 2018).

In the process of obtaining background information for this project, we spoke with several city managers and EDC directors in Texas. In the opinion of one of the city managers, a Type B EDC has all the advantages of a Type A plus no mandate for industrial type jobs. Most Type A EDCs have a stated primary economic objective of job creation/retention with a secondary objective of infrastructure projects; Type B corporations have similar stated objectives with the most common objectives stated as infrastructure projects, job creation/retention, sports facilities/recreation, and tourism (Texas Comptroller, 2020). Funding these stated EDC objectives is achieved through sales tax revenue. Sales tax represented 74% of total EDC revenues in 2019 with average sales tax receipts reaching $1.2 million per EDC. Additional revenues are reported for state/federal grants, rental/lease and user fees, bond proceeds and other revenue. In 2019 total EDC revenues were $1.1 billion with Type A generating $434 million and Type B corporations generating $734 million in total revenues. Revenue for all EDCs for 2019 were made up of sales tax (74%), state/federal grants (0.8%), rental/lease/user fees (2.4%), bond proceeds/loans (9.1%) and other revenue (13.7%). Total expenditures in 2019 were $1.002 billion with the largest expenses reported as personnel/administration/marketing and promotion (17.4%), direct business incentives (14.4%), and debt service of 26.7%. Both corporations have reported capital assets with the most common assets being land. Almost 80% of Type A EDCs report holding capital assets and 71% of Type B corporations report capital assets (Texas Comptroller, 2020).

DATA AND METHODS

Data for the following analyses of spending by EDCs in Texas cities come from the Office of the State Comptroller of Public Accounts, Census population reports, and the Census Bureau's Survey of Business Owners. The dependent variables in our multivariate analyses are the number and percent of businesses in a community owned by women, minorities, and veterans. These data were gathered from the Survey of Business Owners for 2012 (the number of firms was obtained and from this we computed the percentage of firms). More recent Survey of Business Owners data beyond 2012 were not available for this project. There is no reason to believe, though, that our findings from these data will be unique. Economic recession impacts business activity, including the number of businesses operating in a community. This said, 2012 was several years after the Great Recession and prior to the adverse economic impacts of the Covid-19 pandemic. We argue that this represents a stable economic period and the associations our analysis uncovers will hold today.

Our explanatory variables include EDC expenditures, type of projects funded and population demographic characteristics. Information on EDC expenditures and EDC type, A or B, was collected from yearly EDC reports, for the year 2012, filed with and available from the Texas State Comptroller's Office (via each city's Texas Ahead Economic Development Report submitted annually to the state's Comptroller's Office). These annual reports provide expenditures in the following categories: administration, personnel, marketing and promotion, direct business incentives, job training, debt service, capital costs, affordable housing, and payments to taxing units. For our multivariate analyses we looked at categories that facilitated EDC operations and business growth – administration, personnel, marketing, business incentives, and job training – with job training ultimately not included in our final analysis (discussed below). According to a Texas city manager we spoke with about this project, spending on personnel includes salary payments to those working for the EDC, such as the Executive Director and staff; spending on administration includes the costs of administering a program such as rent, backroom support, contracting out for accounting, marketing and social media services; spending on direct business incentives includes roads, drainage, electricity, site remediation, site preparation, sewers, and water; spending on marketing and promotion includes billboards, conferences and trade shows, public hearings, social media and print media.

We also included in our analyses total EDC expenditures along with a dummy variable for the type of project funded, with the type of EDC used by a city as the proxy. Cities that used a Type A (funded industrial projects) were coded 0 and those that used a Type B (funded quality of life projects) were coded 1. Because cities in Texas can establish one or both types of EDCs we included a variable that measured spending on both types of development projects, with cities that used both types coded 1 and those that employed only one type of EDC coded 0. Information on city population demographics was collected from decennial Census reports for 2010 (via data.census.gov). We collected total one-race city population, percent employment, per capita income, percent aged 25 and above with a Bachelor's degree, the percent of the population that was African American (alone), and Latino/Hispanic. For our multivariate analysis, rather than using population as an independent variable, we standardized the dependent variables (the number and percent of non-traditional business owners) as well as the EDC expenditure variables by population per thousand. As discussed below, due to multicollinearity issues, per capita income was ultimately not included in the final analysis.

Multivariate models were run using SPSS. The reported models exclude some cases. On occasion a city's annual EDC report may specify 0 expenditures for a given year. Because this may reflect the actual amount spent or it may be used as a placeholder to meet reporting deadlines, cases were excluded when total EDC expenditure was reported as 0. Our analysis focuses on home rule cities in Texas with an EDC – cities are not mandated to have an EDC and not all do. Because of excluded cases, as well as unobtainable information on some of our measures, the number of cases (cities) in the following multivariate models range from 111 to 101. Further, particular variables were considered but excluded from the final models. Routinely, EDC expenditures on job training were small with 0 most frequently reported as the expenditure. Inclusion in regression models of this expenditure category reduced the number of cases and was not a statistically significant contributor. Further, we tested for multicollinearity among predictor variables using the SPSS Variance Inflation Factor (VIF). EDC expenditures on administration was considered but was highly collinear with other EDC expenditure categories. Similarly, per capita income was considered but was highly collinear with percent with a Bachelor's degree. Given our models contained two other general economic measures (poverty level and percent employed), education was selected to include in the models. In our review of findings, we draw attention to statistical associations at the traditional .05 level or better. We also point to associations at the slightly lower .10 level, believing that 90 percent confidence warrants commentary.

FINDINGS

The Number of Businesses Owned by Women, Minorities and Veterans

Findings in Tables 1 through 3 report the number of firms owned by each group of business owners, along with descriptives for each of the variables in the model (mean and standard deviation reported at the bottom of each model). As shown in Table 1, the number of women-owned firms in a community is reliably association solely with EDC expenditures. The number of women-owned firms increases with growth in economic development expenditures on marketing, business incentives, and personnel (significant at the .05 level). With the influence of these expenditure categories accounted for, there is a slight inverse relationship between the number of women-owned firms and total EDC spending (significant at the .10 level). Based on a comparison of the standardized Beta values, the positive impact of expenditures in marketing and business incentives play the dominant role in accounting for the number of women-owned firms in a community. Aside from EDC expenditures, no other variable in the model is statistically associated with the number of women-owned firms at the .10 level or better.

The number of minority-owned firms, in contrast, is associated both with EDC expenditures and with demographic city characteristics. As reported in Table 2, the number of minority-owned firms is positively associated with expenditures on marketing, business incentives and personnel. Unique among the three business owner groups under investigation, the number of women-owned firms may be associated not only with economic development spending per se, but also with the type of project being funded. The number of women-owned firms is greater among cities whose EDC funds only Type B projects, i.e., those related to quality of life amenities (.10 level). The number of women-owned businesses is also positively related to growth in Black and Hispanic populations (all, .05 level). In fact, growth in a community's Latino population plays the single largest role in accounting for the number of minority-owned firms in a community (based on the standardized Beta value).

Table 1: # Women-Owned Businesses per 1000 Population					
	b	**St. Error**	***Beta***	***p***	**VIF**
% Civilian Workforce Employed	-.278	.293	-.097	.345	1.254
% Families in Poverty	.095	.309	.023	.759	1.382
% 25+ with Bachelor Degree	-.336	.272	-.101	.220	1.655
% of Population Black	.264	.204	.096	.198	1.351
% of Population Hispanic/Latino	.086	.127	.055	.501	1.654
Type B (1 if B, 0 if not)	5.223	5.606	.074	.354	1.565
Mixed (1 if A and B, 0 if not)	-1.710	7.526	-.019	. 821	1.793
Total EDC Expenditures (Standardized per 1000 Pop)	-.00006	.00003	-.171	.064	2.048
Exp Marketing (Standardized)	.001	.0004	.490	.000	1.951
Exp Bus Incentives (Standardized)	.0002	.00004	.378	.000	1.430
Exp Personnel (Standardized)	.001	.0002	.262	.002	1.709
Constant	-81.563	85.104		.340	
R2=.599	Adj. R2=.554	Model =.000	N=111		
	Mean	**St. Dev**		**Mean**	**St. Dev**
# Women-Owned Firms (standardized)	42.7	35.3	% of Population Hispanic/Latino	31.4	22.8
% Civilian Workforce Employed	92.8	2.7	Total Expenditures (Standardized)	93528.0	96412.6
% Families in Poverty	18.5	8.6	Exp Marketing (Standardized)	4311.2	13605.6
% 25+ with Bachelor Degree	19.7	10.6	Exp Bus Incentives (Standardized)	31366.3	69519.9
% of Population Black	11.3	12.8	Exp Personnel (Standardized)	14036.4	15738.0

Table 2: # Minority-Owned Businesses per 1000 Population					
	b	**St. Error**	***Beta***	***p***	**VIF**
% Civilian Workforce Employed	-.704	.790	-.059	.375	1.264
% Families in Poverty	.035	.267	.009	.895	1.394
% 25+ with Bachelor Degree	.282	.235	.092	.234	1.677
% of Population Black	.692	.178	.271	.000	1.392
% of Population Hispanic/Latino	1.054	.111	.734	.000	1.698
Type B (1 if B, 0 if not)	8.281	4.809	.127	.088	1.551
Mixed (1 if A and B, 0 if not)	10.834	6.639	.130	.106	1.827
Total EDC Expenditures (Standardized per 1000 Pop)	-.00002	.00003	-.069	.414	2.048
Exp Marketing (Standardized)	.001	.0002	.344	.000	1.948
Exp Bus Incentives (Standardized)	.0002	.00003	.371	.000	1.430
Exp Personnel (Standardized)	.0003	.0002	.161	.039	1.703
Constant	40.222	73.242		.584	
R2=.658	Adj. R2=.620	Model =.000	**N**=110		
	Mean	**St. Dev**		**Mean**	**St. Dev**
# Minority-Owned Firms (standardized)	39.9	32.8	% of Population Hispanic/Latino	31.5	22.9
% Civilian Workforce Employed	92.8	2.8	Total Expenditures (Standardized)	93419.9	96847.1
% Families in Poverty	18.5	8.6	Exp Marketing (Standardized)	4257.7	13656.1
% 25+ with Bachelor Degree	19.7	10.7	Exp Bus Incentives (Standardized)	31215.9	69819.9
% of Population Black	11.4	12.9	Exp Personnel (Standardized)	13934.9	15773.5

Finally, as shown in Table 3, the number of veteran-owned firms in a community is positively associated with EDC spending on business incentives. The number of veteran-owned businesses in a community is also reliably higher in cities that spend on both industrial (Type A) and quality of life (Type B) projects. Unlike the prior two business-owner groups, the number of veteran-owned firms is associated with a variety of community characteristics. The number of veteran-owned businesses tends to decline as the percentage of the community that Latino, Black and has a Bachelor's degree increases (percent Latino, .05 level; percent Black and percent with a Bachelor's degree, .10 level) and increases with growth in the level of poverty (.10 level).

Table 3: # Veteran-Owned Businesses per 1000 Population

	b	**St. Error**	***Beta***	***p***	**VIF**
% Civilian Workforce Employed	.415	.258	.134	.110	.772
% Families in Poverty	.157	.086	.158	.070	.716
% 25+ with Bachelor Degree	-.221	.075	-.280	.004	.602
% of Population Black	-.107	.055	-.165	.056	.740
% of Population Hispanic/Latino	-.112	.036	-.300	.002	.593
Type B (1 if B, 0 if not)	2.250	1.583	.133	.159	.613
Mixed (1 if A and B, 0 if not)	4.792	2.068	.230	.023	.542
Total EDC Expenditures (Standardized per 1000 Pop)	-.000006	.000009	-.070	.509	.473

Exp Marketing (Standardized)	.00009	.00006	.161	.121	.503
Exp Bus Incentives (Standardized)	.00006	.00001	.524	.000	.699
Exp Personnel (Standardized)	-.00005	.00005	-.011	.913	.581
Constant	-23.642	23.942		.326	
R2=.502	Adj. R2=.443	Model =.000	**N**=105		
	Mean	**St. Dev**		**Mean**	**St. Dev**
# Veteran-Owned Firms (standardized)	12.5	8.5	% of Population Hispanic/Latino	31.2	22.8
% Civilian Workforce Employed	92.8	2.7	Total Expenditures (Standardized)	94526.1	97305.6
% Families in Poverty	18.3	8.6	Exp Marketing (Standardized)	4482.3	13968.3
% 25+ with Bachelor Degree	20.0	10.7	Exp Bus Incentives (Standardized)	31732.7	71111.0
% of Population Black	11.6	13.0	Exp Personnel (Standardized)	14217.7	16114.0

The Total Number of Businesses, EDC Spending and Community Demographic Characteristics

From the perspective of facilitating growth in businesses owned by women, minorities, and veterans, EDC expenditures assist non-traditional business owners. However, such expenditures may facilitate growth in business across-the-board, not solely these groups. To look more closely at this issue, we ran our multivariate model with the number of firms per 1000 population as the dependent variable. The results, reported in Table 4, indicate that the total number of businesses in a community is positively and reliably associated with categories of economic development spending – on marketing, business incentives, and personnel (.05 level). Based on the Beta values, spending on marketing and business incentives in particular has a strong impact on the total number of businesses. In addition to EDC spending, the number of veteran-owned businesses in a community declines as the percentage of the population with a Bachelor's degree increases (.05 level) and increases along with increases in the employment level (.10 level).

Table 4: # Businesses per 1000 Population

	b	**St. Error**	***Beta***	***p***	**VIF**
% Civilian Workforce Employed	3.529	2.081	.105	.093	.798
% Families in Poverty	.806	.698	.074	.251	.743
% 25+ with Bachelor Degree	-1.380	.613	-.159	.027	.609
% of Population Black	-.146	.459	-.020	.750	.741
% of Population Hispanic/Latino	-.317	.291	-.077	.279	.608
Type B (1 if B, 0 if not)	18.080	12.748	.098	.159	.639
Mixed (1 if A and B, 0 if not)	6.791	17.006	.029	.691	.569
Total EDC Expenditures (Standardized per 1000 Pop)	-.0001	.00007	-.124	. 121	2.062
Exp Marketing (Standardized)	.003	.001	.490	.000	1.954
Exp Bus Incentives (Standardized)	.001	.00009	.426	.000	1.442

Exp Personnel (Standardized)	.001	.0004	.235	.002	1.712
Constant	-227.409	192.590		.241	
R2=.711	Adj. R2=.678	Model =.000	**N**=107		
	Mean	**St. Dev**		**Mean**	**St. Dev**
# Firms (standardized)	127.4	92.8	% of Population Hispanic/Latino	31.2	22.6
% Civilian Workforce Employed	92.9	2.8	Total Expenditures (Standardized)	93905.8	98044.9
% Families in Poverty	18.5	8.5	Exp Marketing (Standardized)	4393.2	13850.4
% 25+ with Bachelor Degree	19.7	10.7	Exp Bus Incentives (Standardized)	31723.1	70644.0
% of Population Black	11.3	13.0	Exp Personnel (Standardized)	14075.2	15986.6

Economic development spending in the form of marketing, business incentives, and personnel helps increase the number of businesses in a community – non-traditional business owners included. Summing across Tables 1 through 4, compared to businesses generally, the number of businesses owned by women, minorities, and veterans may be more sensitive to a community’s ethnic and racial composition. This said, findings to this point suggest an equal economic development outcome in terms of growth in the number of businesses owned by women, minorities and veterans, though not necessarily an outcome in terms of equity. We turn, therefore, to consider outcome from the perspective of equity.

The Percentage of Businesses Owned by Women, Minorities and Veterans

We test for the percent of women, minority, and veteran-owned businesses in a community, per 1000 population. If businesses owned by these three groups experience an equitable outcome from economic development spending, we should see a positive association between the percentage of businesses owned by women/minorities/veterans and EDC spending. Findings in Tables 5 through 7 report these findings. While the number of firms owned by these non-traditional groups is associated with EDC spending, the impact of economic development spending on the percent of a community's businesses owned by women, minorities and veterans is less pronounced. Only for the percentage of minority-owned businesses in a community does EDC spending seem to matter. As shown in Table 6, the percent of minority-owned businesses in a community increases as spending on business incentives rises (.05 level). Further, the percentage of minority-owned firms is higher in communities that spend on quality of life projects – either solely on Type B projects or in combination with Type A industrial projects (.05 level). As reported in Tables 5 and 7, neither the percentage of women-owned firms nor the percentage of veteran-owned firms is reliably associated with EDC expenditures or spending on a particular type of project.

Table 5: % Women-Owned Businesses per 1000 Population

	b	**St. Error**	***Beta***	***p***	**VIF**
% Civilian Workforce Employed	-.278	.293	-.097	.345	1.254
% Families in Poverty	-.108	.098	-.116	.276	1.346

% 25+ with Bachelor Degree	.091	.086	.123	.294	1.642
% of Population Black	.268	.065	.439	.000	1.349
% of Population Hispanic/Latino	.113	.041	.321	.007	1.645
Type B (1 if B, 0 if not)	1.355	1.793	.086	.452	1.565
Mixed (1 if A and B, 0 if not)	-.484	2.392	-.024	.840	1.757
Total EDC Expenditures (Standardized per 1000 Pop)	-.000008	.00001	-.096	.466	2.062
Exp Marketing (Standardized)	.00007	.00007	.122	.341	1.954
Exp Bus Incentives (Standardized)	.000004	.00001	.038	.727	1.442
Exp Personnel (Standardized)	-.000004	.00006	-.008	.947	1.712
Constant	52.821	27.093		054	
R2=.212	Adj. R2=.121	Model =.014	**N**=107		
	Mean	**St. Dev**		**Mean**	**St. Dev**
% Women-Owned Firms (standardized)	33.6	7.9	% of Population Hispanic/Latino	31.2	22.6
% Civilian Workforce Employed	92.9	2.8	Total Expenditures (Standardized)	93905.8	98044.9
% Families in Poverty	18.5	8.	Exp Marketing (Standardized)	4393.2	13850.4
% 25+ with Bachelor Degree	19.7	10.7	Exp Bus Incentives (Standardized)	31723.1	70644.0
% of Population Black	11.3	13.0	Exp Personnel (Standardized)	14075.2	15986.6

Table 6: % Minority-Owned Businesses per 1000 Population					
	b	**St. Error**	***Beta***	***p***	**VIF**
% Civilian Workforce Employed	-1.244	.425	-.165	.004	1.256
% Families in Poverty	-.079	.143	-.032	.583	1.355
% 25+ with Bachelor Degree	.433	.126	.224	.001	1.664
% of Population Black	.726	.095	.454	.000	1.392
% of Population Hispanic/Latino	.865	.060	.943	.000	1.690
Type B (1 if B, 0 if not)	5.317	2.595	.129	.043	1.550
Mixed (1 if A and B, 0 if not)	9.727	3.562	.184	.008	1.790
Total EDC Expenditures (Standardized per 1000 Pop)	-.000002	.00002	-.012	.874	2.062
Exp Marketing (Standardized)	.00007	.0001	.045	.521	1.951
Exp Bus Incentives (Standardized)	.00004	.00002	.126	.040	1.442
Exp Personnel (Standardized)	-.00004	.00009	-.032	.624	1.706
Constant	100.777	39.329		.012	
R2=.762	Adj. R2=.734	Model =.000	**N**=106		
	Mean	**St. Dev**		**Mean**	**St. Dev**
% Minority-Owned Firms (standardized)	32.9	20.8	% of Population Hispanic/Latino	31.3	22.7

% Civilian Workforce Employed	92.9	2.8	Total Expenditures (Standardized)	93797.2	98504.2
% Families in Poverty	18.5	8.5	Exp Marketing (Standardized)	4338.4	13904.6
% 25+ with Bachelor Degree	19.7	10.7	Exp Bus Incentives (Standardized)	31570.3	70961.9
% of Population Black	11.4	13.0	Exp Personnel (Standardized)	13970.1	16025.4

Table 7: % Veteran-Owned Businesses per 1000 Population

	b	**St. Error**	***Beta***	***p***	**VIF**
% Civilian Workforce Employed	.093	.171	.061	.587	1.285
% Families in Poverty	.036	.057	.073	.530	1.361
% 25+ with Bachelor Degree	-.053	.049	-.136	.290	1.648
% of Population Black	-.072	.037	-.227	.052	1.351
% of Population Hispanic/Latino	-.063	.024	-.339	.010	1.681
Type B (1 if B, 0 if not)	.257	1.060	.031	.809	1.636
Mixed (1 if A and B, 0 if not)	2.190	1.374	.213	.114	1.812
Total EDC Expenditures (Standardized per 1000 Pop)	-.000004	.000006	-.102	.485	2.132
Exp Marketing (Standardized)	-.00002	.00004	-.079	.574	1.993
Exp Bus Incentives (Standardized)	.000003	.000007	.047	.693	1.443

Exp Personnel (Standardized)	-.00005	.00003	-.181	.168	1.722
Constant	5.009	15.917		.754	
R2=.123	Adj. R2=.015	Model =.344	N=101		
	Mean	**St. Dev**		**Mean**	**St. Dev**
% Veteran-Owned Firms (standardized)	10.0	4.2	% of Population Hispanic/Latino	30.9	22.5
% Civilian Workforce Employed	92.9	2.8	Total Expenditures (Standardized)	94965.9	99049.9
% Families in Poverty	18.3	8.5	Exp Marketing (Standardized)	4575.9	14234.0
% 25+ with Bachelor Degree	20.1	10.8	Exp Bus Incentives (Standardized)	32125.2	72335.6
% of Population Black	11.7	13.2	Exp Personnel (Standardized)	14265.9	16385.4

Though the equity benefits of economic development spending may accrue uniquely to minority owned firms, city demographics play a role for all non-traditional business-owned groups. As was the case with the number of firms, community racial and ethnic composition plays a significant role in the percentage of businesses owned by women, minorities, and veterans. Among all demographic variables, the impact of race and ethnicity are the most dominant. As shown in Tables 5 and 6, the percent of businesses owned by women and by minorities increases with increases in the Black and Latino percent of the population (.05 level). Conversely, as reported in Table 7, the percent of veteran-owned firms tends to be higher in communities with smaller Black and Latino populations (Latino, .05, Black barely misses .05 level). Finally, as reported in Table 6, the percent of minority-owned businesses increases along with increases in a community's education level and rises as the level of employment declines (.05 level).

DISCUSSION AND CONCLUSION

Our guiding question was whether local economic development spending provides a benefit to populations who have not traditionally been the beneficiaries of development outcomes. Our focus was on the number and percentage of businesses in a community owned by women, minorities, and veterans.

Findings offer somewhat mixed results regarding the answer to this question. The answer depends on whether by "benefit" one means that all businesses receive equal advantage (i.e., "all boats rise") or there is an equitable outcome that addresses, at least to some extent, historic inequities. Viewed in terms of equal outcomes, findings indicate that economic development spending increases the number of businesses in a community owned by women and minorities, and to a lesser extent, veterans. Even with variation in community demographic characteristics accounted for, the number of women and minority owned businesses increase along with increases in economic development spending. Viewed in terms of equity outcome, findings offer a less definitive answer. The percent of women and veteran owned businesses in a community generally have no reliable relation with economic development spending. Economic development spending in the form of business expenses, though, does seem to provide a particular advantage regarding the percentage of minority-owned firms. The prevalence of minority-owned businesses is also heightened by the type of development project, benefiting most from Type B community projects. In sum, findings indicate that equal outcome is the clearer outcome, but an equality outcome may manifest under certain conditions. This is important and interesting when we consider that the economic development spending under investigation is not targeted to specific groups. The mechanics at work here and how this might link with the literature on the problems with programs that strategically target specific groups deserves further investigation. In fact, several factors that our study did not include might be of interest to future research.

Our analysis assumed that economic development spending that is not formally earmarked to target specific groups is absent of any equity considerations. However, might in some cases economic development directors themselves have an equity agenda, or preference? If so, what might they be able to do to foster equitable outcomes, and might we find a different association between business ownership and economic development spending among directors favorably disposed to fostering equity outcomes? In addition to the attitudes, and administrative discretion, of economic development directors, future research might consider business size. Does economic development spending promote growth among smaller rather than larger businesses, given that any given dollar spent may have a more pronounced impact on smaller businesses and small business growth may be a preference for some communities? To the extent there is a relationship between ownership characteristics and business size, if women, minority, and veteran business owners are disproportionately small business owners, and if small business benefits the most from economic spending, then a level of equity may be achieved in this way.

In addition to the relationship between business growth and spending, an important finding in this study involves race and ethnicity. It is meaningful to consider the influence of race and ethnicity on a community’s business environment as over time many communities are becoming more racially and ethnically diverse. Findings show that with other community characteristics accounted for, the number as well as the percentage of businesses that are owned by women, minorities, and veterans is related to a community's ethnic and racial composition. The number and percentage of women and minority-owned businesses increase along with increases in the Black and Hispanic share of the population; in contrast, veteran-owned businesses decline as a community's Black and Hispanic populations grow. This latter finding begs the question as to why veteran-owned firms are more prevalent in non-Latino and non-Black communities. Further research might examine the race, ethnicity and gender of those veterans who own businesses to determine what impact these characteristics might have on economic development outcomes.

Future research may help provide additional insight into the relationship between non-traditional businesses ownership and economic development spending. From our investigation into local economic development efforts in Texas, spending matters. Spending increases the number of local businesses across all types of owners. To this extent, local economic development spending provides opportunities for various business owners and helps "all boats rise." Economic development spending may also, and under some conditions, lead to something of an equity outcome, even when this is not necessarily the intent. This in-and-of-itself deserves further investigation.

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