



FFY2013-FFY2015
ADOT&PF Disadvantaged Business Enterprise (DBE) Triennial Goal Methodology:
Federal Transit Administration (FTA)

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DBE GOAL METHODOLOGY AND EVIDENCE

The purpose of this Exhibit is to explain how the Alaska Department of Transportation & Public Facilities (ADOT&PF) Civil Rights Office has set the Disadvantaged Business Enterprise (DBE) Triennial Goal for FFY2012-FFY2014, compliant with 49 CFR Part 26 [Docket No. OST-2010-0021] Participation by Disadvantaged Business Enterprises in Department of Transportation Financial Assistance, Final Rule. ADOT&PF will now be required to submit Overall DBE Goals once every three years to FHWA, FAA, and FTA.

There are two steps that determine the overall DBE goal:

1. Determining the actual relative availability of DBEs to perform ADOT&PF contracts
2. Adjusting the base figure to make it precise as possible by considering all evidence available to determine whether such adjustment is necessary

As suggested by 49 CFR §26.45, the following method is used to attain a base figure.

Method

The ADOT&PF does not have a fixed method of setting annual DBE goals. The following method may be revised upon further research and may be reorganized after completion of an updated Disparity study. The following method is applicable to FHWA, FAA, and FTA funding.

The combined professional services and construction contracts will be evaluated in this manner unless specified, by funding source:

1. Step One Overall Goal: The step one goal of each contract type will be weighted to determine the overall Step One goal
2. Step Two Overall Goal: Average the figure obtained in Step One with the median past participation of the last six fiscal years (Tips for Goal-Setting in the Disadvantaged Business Enterprise (DBE) Program (Posted 3/6/01 - Edited 1/9/02))
3. Race-Conscious/Race-Neutral Breakdown:
 - a. Calculate the average proportion of race-conscious and race-neutral performance for FFY2005-FFY2010
 - b. Race-Conscious: Multiply the race-conscious proportion by the Step Two Goal
 - c. Race-Neutral: Multiply the race-neutral proportion by the Step Two Goal

Step One Base Figure: Determining Availability of DBEs

Step One of the goal setting process is to attempt to measure the actual relative availability of DBEs to perform the type of contracts (both prime and subcontractors) that the ADOT&PF intends to let in the next three fiscal years by each funding mode (FHWA, FAA, FTA). The ADOT&PF has two procurement types where DBE contract goals will be set: professional

service agreements (PSAs), and construction projects. Each funding mode supports a unique type of project and serves various regions throughout the State.

The best assessment includes the available market data of both DBEs and non-DBEs alike. Five alternative methods of §26.45 (c) were reviewed in June 2011 and included seven different data sources.

Data Sources

US Census 2007 SBO Data

The results from the U.S. Census Bureau’s 2007 Economic Census, Survey of Business Owners (SBO) Estimates of Business Ownership by Gender, Ethnicity, Race, and Veteran Status:2007 (<http://www.census.gov/econ/sbo/>) was compiled with 23 NAICS series (construction) and 54 NAICS series (professional services) firms in Alaska.

TABLE 1 2007 SBO DATA RESULTS BY 2-DIGIT NAICS CODES

	Minority Count	Female, Non-Minority Count	Non-Minority Count (includes Female)	Percentage
2007 NAICS: 23 Construction	775	449	6348	17.18%
2007 NAICS: 54 Professional and Scientific	1069	2039	6767	39.66%
Total	1844	2488	13115	28.96%

The analysis of the data was not reduced to the five or six digit NAICS codes. This method was discarded as a Step One availability of the market data as nineteen specific 23-NAICS series codes and eleven 54-NAICS series codes must be meticulously reduced to ensure accuracy.

ADOT&PF Bidder Registration List

Bidders are required to register on the ADOT&PF Bidder Registration list for construction contracts. The ADOT&PF found that this method did not accurately portray the availability of professional service consultants in Alaska and was disregarded as the sole method of measuring the Step One Goal but was determined to be passable source for the construction Step One Goal if jointly cross referenced with other data sources. However, this data source was not used.

Alaska Availability and Disparity Study (2008)

Figures contained in the Alaska Availability and Disparity Study for the Step One goal was utilized in this review. The Alaska Availability and Disparity Study contained an extensive availability study but only included DBE participation data to the federal fiscal year 2006. The ADOT&PF reviewed the availability in 2011 and received nearly identical numbers which shows the availability to be 16.45%.

Alaska Business License Data

Over 14,000 firms have been listed as active or expired in the 23-NAICS and 54-NAICS series from the State of Alaska Department of Commerce, Community, and Economic Development (CED). The ADOT&PF selected 19 construction NAICS codes and 11 professional service NAICS codes applicable from this data to cross-tabulate with other data sources. The data did not contain ownership status but provided all NAICS codes for registered businesses.

SBA 8(a) Data

Minority-owned construction and professional services firms were gathered from the SBA 8(a) website.

Dun & Bradstreet Data

A list of statewide construction and professional service firms was purchased from Dun & Bradstreet. The Step One Goal of 22% advertised on July 7, 2011 included the figure attained by the Dun & Bradstreet 23 and 54-NAICS series firm data by minority and female-owned status. Further evaluation showed some DBE firms were listed as inactive and active firms were not listed. This method was disregarded to be accurate unless cross referenced with the ADOT&PF DBE Directory and active Alaska Business License. Cross-referencing the ADOT&PF DBE Directory, Dun & Bradstreet, Alaska Business License Data, and SBA 8(a) Data yielded a list of available market data of DBEs, potential DBEs, and non-DBEs to 15.56%.

In summary, data provided in the sources below were shown to be deficient of information when viewed alone- except the 2008 Alaska Disparity Study which shows the 16.45% availability of potential DBEs.

TABLE 2 SUMMARY OF DATA SOURCES AND FINDINGS

Data Source	Construction	Professional Service Agreements (PSAs)
US Census 2007 SBO Data	Broad NAICS range	Broad NAICS range
ADOT&PF Bidder Registration List	Acceptable	Data not provided
2008 Alaska DOT&PF Disparity Study	Acceptable availability figure. Selected method.	Acceptable availability figure. Selected Method.
Alaska Business License 2010 Data	Data did not include ownership status	Data did not include ownership status
Dun & Bradstreet Data	Data incomplete	Data incomplete
Combination of Cross-Referenced ADOT&PF DBE Directory, Dun & Bradstreet, Alaska Business License Data, SBA 8(a) Data	Acceptable	Acceptable

ADOT&PF Civil Rights Office Contract Compliance Database

The Civil Rights Office consistently monitors and collects construction contract information, professional service contracts, DBE certification, and subcontractor participation on ADOT&PF

federally-funded contracts. This system is called BizTrak© (Resource Associates, Inc.) and contains information from numerous State of Alaska databases pertaining to payments and contracts. Data from the past participation from FFY2005-FFY2010 was used in the Step Two analysis.

Step One Goal (§26.45 (c) (3) Use data from a Disparity Study)

The 2008 Alaska Disparity Study issued by Civil Rights Office was completed June 6, 2008 by D. Wilson Consulting Group LLC. The primary objectives of the study were to identify and characterize:

- the extent to which Disadvantaged Business Enterprises (DBEs) participate in the procurement of United States Department of Transportation (DOT) federally assisted highway/airports/transit contracts in general construction and professional services for the AKDOT & PF; general construction, professional services, supplies and manufactured items for the Alaska Railroad Corporation (ARRC) and the Municipality of Anchorage.
- If DBE participation is representative of the availability of DBEs that are ready, willing and able to participate in federally assisted DOT contracts. By DOT modal administration, Federal Highway Administration (FHWA), the Federal Aviation Administration (FAA) and the Federal Transit Administration (FTA), calculate the percentage of ready, willing and able DBE firms by each of the presumed groups as defined in 49 CFR Part 26 to be the presumed disadvantaged;
- Whether discrimination exists and if found, identify by DOT modal group and individually, by race, ethnicity and gender of all groups affected;
- Identify presumed disadvantaged groups that are over or underutilized for federally assisted DOT contracts based on their availability;
- Quantify the magnitude of differences between DBE availability (based on capacity) and DBE participation on federally assisted DOT contracts.

The Disparity Study provides an analysis of the number of firms in the relevant market area applicable to both ADOT&PF construction and professional service contracts. Prime contractors were included in the numbers as they can perform work as subcontractors if business conditions prompted them to do so. The numbers were weighted by D. Wilson Consulting Group LLC to adjust by firm capacity.

TABLE 3 ADOT&PF STEP ONE GOAL

	African American	AK Native Corporation	AK Tribal Corporation	American Indian/AK Native	Asian Indian/Pacific Islander	Hispanic American	Non-minority	Non-minority Women	Total
Construction	1.25%	2.18%	0.00%	6.23%	1.25%	1.56%	85.66%	1.87%	100.00%
Professional Services	1.79%	8.93%	0.00%	7.14%	3.57%	1.79%	71.42%	5.36%	100.00%
TOTAL	1.33%	3.18%	0.00%	6.37%	1.59%	1.59%	83.55%	2.39%	100.00%

DBE Step One goal was determined to be 16.45% based on the above data (2008 Alaska Disparity Study, pages 4-10 and 4-11, Exhibit 4-8 ADOT&PF and ARRC Firm Availability, Adjusted Subcontractor Distribution). To determine the Step One figure, simply subtract the non-minority percentage from 100.

Step Two Overall Goal: Examining Available Evidence Goal Methodology

ADOT&PF has determined that an adjustment based upon past participation is necessary for each type of contract. Data from FFY2005-FFY2010 has been evaluated. Only one of the six fiscal years include ADOT&PF actively setting DBE contract goals; the majority of the data has been from a race-neutral environment.

The Step Two goal is the average of the figure obtained in Step One with the median past participation of the last five fiscal years. As seen in Table 4, the median of FFY2005-FFY2010 for FTA-funded construction projects is 0.00%.

TABLE 4 FTA HISTORICAL DBE PARTICIPATION

Federal Fiscal Year	Race-Conscious	Race-Neutral	Overall
FFY2005	0.00%	0.00%	0.00%
FFY2006	0.00%	0.00%	0.00%
FFY2007	0.77%	0.00%	0.77%
FFY2008	0.00%	0.00%	0.00%
FFY2009	4.00%	0.00%	4.00%
FFY2010	0.00%	0.00%	0.00%
Median	0.00%	0.00%	0.00%

So,

$$\begin{aligned}
 \text{Step Two Goal} &= \frac{\text{Step One Goal} + \text{Median of Past Participation}}{2} \\
 &= \frac{16.45\% + 0.00\%}{2} \\
 &= 8.23\%
 \end{aligned}$$

The next steps of calculating the Step Two goal is reviewing the actual DBE past participation numbers from FFY2005-2010 race-neutral and race-conscious splits. States are recommended to achieve overall goals preferably through race-neutral means in calculating the overall goal. Race-conscious goals are focused on assisting only DBEs, including women-owned DBEs. Race-neutral is defined as a measure that is, or can be, used to assist all small businesses. For the purposes of this analysis, race-neutral includes gender neutrality by measuring the excess DBE participation beyond a contract goal or DBE participation on contracts without DBE goals.

TABLE 5 HISTORIC DBE CREDIT ACHIEVEMENT

Federal Fiscal Year	Race-Conscious	Race-Neutral	Total DBE Participation	Total Prime Payments
FFY2005	\$0.00	\$0.00	\$0.00	\$0.00
FFY2006	\$0.00	\$0.00	\$0.00	\$ 192,903.15
FFY2007	\$76,831.00	\$0.00	\$76,831.00	\$9,953,808.93
FFY2008	\$0.00	\$0.00	\$0.00	\$0.00
FFY2009	\$680,806.00	\$0.00	\$680,806.00	\$ 17,020,157.07
FFY2010	\$0.00	\$0.00	\$0.00	\$ 506,624.74
Total Participation	\$757,637.00	\$0.00	\$757,637.00	\$ 27,673,493.89

Consider the historic proportion of DBE credit achievement for each fiscal year in Table 4. All race-conscious participation shown in Tables 4 and 5 are projects which were awarded years before. The USDOT DBE Program regulations monitor DBE program achievement based upon projects contractually closed on the *Uniform Report of DBE Awards or Commitments and Payments Form*.

The data show a race-conscious participation rate but the program itself was operating in without DBE goal setting. Considering this information, the numbers projected are derived from a quasi-race-conscious environment. In order to meet the overall goal of 8.23%, contract goals must be set for the ADOT&PF to achieve it until they are no longer needed with hope of a race-neutral increase in the years to come. In Table 5, the race-conscious proportion of the total DBE participation is 100% every three years (divide total race-conscious DBE participation by total DBE participation). Both FTA-funded professional service agreements and construction projects administered by the ADOT&PF are let depending on the funding and project; it is rare to have over five projects active in one year. The locations and type of construction are usually focused in rural areas and each project goal is determined by the availability of the DBEs along with location. Since one awarded project may have a 13% goal and another 4%, it is best to create a conservative race-conscious DBE overall goal by using the race conscious statistic that 1 of 3 years may have a race conscious project (33%).

The race-conscious/race-neutral breakdown of the 8.23% Overall goal for FWHA contracts is as follows:

$$\begin{aligned} \text{Race Conscious: } & (\text{Step Two Goal}) \times (\text{Race Conscious Proportion}) \\ & = 8.23\% \times 33.0\% \\ & = 2.71\% \end{aligned}$$

$$\begin{aligned} \text{Race Neutral: } & (\text{Step Two Goal}) \times (\text{Race Neutral Proportion}) \\ & = 8.23\% \times 67.0\% \\ & = 5.51\% \end{aligned}$$