

The Delaware Department of Transportation

Disadvantaged Business Enterprise

Goal Setting Methodology and Proposed Overall DBE Goal, FFY 2017-2019

In accordance with the requirements of 49 CFR Part 26.45, the Delaware Department of Transportation (DelDOT) hereby submits its Disadvantaged Business Enterprise (DBE) overall goal and goal setting methodology for federal fiscal years 2017 through 2019. The overall DBE goal for DOT-assisted contracting for FFY 2017-2019 is 13.80%; 2.20% achieved by race/gender-neutral means and 11.60% achieved by race-conscious means.

Narrative Summary of Methodology/Overall DBE Goal Setting Process for FY 2014-2016

The overall goal setting process has two steps. The first step determines the base figure. The base figure reflects the relative availability of disadvantaged business enterprises in DelDOT's relevant market. We reviewed historical data regarding which prime contractors and consultants were awarded contracts for FY 2011 through FY 2015, and their location, in order to define the relevant market. We did not review where subcontractors or subconsultants related to those contract awards were located. The Department filtered out DBE and non-DBE firms whose services were unrelated to the highway industry by reviewing the NAICS listed for the firms in order to ensure that results are not skewed.

Because over 90% of all contracts are awarded to Delaware, Maryland Eastern Shore, Southern New Jersey, and Southeastern Pennsylvania based businesses, the relevant market is the entire State of Delaware which includes New Castle, Kent and Sussex Counties, portions of the Eastern Shore of Maryland including Cecil County, Southern New Jersey (Salem County), and Southeast Pennsylvania (Chester County and Delaware County).

Step 2 of the goal setting methodology adjusts the Step 1 base figure to make it more precise.

DelDOT considered two methodologies to determine DBE participation for adjusting the weighted base figure: 1) using the median participation based on the past five years; and 2) using aggregated award information based on the same length of time. DelDOT opted to use the median participation approach. Due to the fluctuations in expenditures from year to year the median participation approach was determined to provide the most accurate reflection of DBE participation.

As noted in 49 CFR Part 26.45 (f)(3), an explanation stating why available evidence for adjusting the base figure was not used should be included in this document. Information contained in a 2001 Disparity Study commissioned by the State of Delaware to review the Department of Transportation's and the Department of Administrative Services' utilization of minority and women-owned small businesses for contracts funded solely by State funds was not deemed relevant due to the age of the data, and, therefore, was not considered when adjusting the base figure.

Step 1: Determining the base-figure for the relative availability of Ready, Willing, and Able DBE firms

The base figure is calculated as follows:

- The numerator consists of ready, willing, and able DBE firms listed in the DBE Directory in both the construction and professional services categories. The denominator is comprised of all relevant construction and professional services firms, including DBEs, in the relevant market. This information was gathered using the current DBE Directory, its current list of registered bidders (successful and unsuccessful), vendors, consultants, and participating subcontractors, and all other market-area road construction firms, paving contractors, traffic control firms, excavating contractors, environmental engineering consultants, landscape architects, civil engineering consultants, and construction management consultants listed in the Blue Book of Building and Construction (www.thebluebook.com) for the raw availability data used in Step 1. Relevant data was retrieved from www.thebluebook.com by searching on location, as identified in our relevant market area. Data was reviewed to filter firms into categories to determine whether or not they should be included in our base figure.
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$$\left[\frac{\text{RWA Construction DBEs} + \text{RWA Professional Service DBEs}}{\text{All Construction Firms} + \text{All Professional Service Firms}} \right] =$$

$$\left[\frac{121 + 182}{989 + 745} \right] = \left[\frac{303}{1734} \right] = .1747$$

or, 17.47% Base Figure

Reliable sources of information for step one (determining the base figure) as noted in 49 CFR § 26.45 (c) (1)(2)(5) include the DBE directory, and the list of successful and unsuccessful registered bidders. The Census Bureau County Business Pattern data base is also a source noted in the CFR, however DelDOT chose not to use this source because the source we used when developing the goal for 2017-2019, www.thebluebook.com, had previously satisfied our needs. We elected to again utilize www.thebluebook.com, a business directory and resource for the construction industry. The website contains up-to-date information and provides the ability to search and sort by business classification and region or location. The Blue Book is also printed for distribution annually.

- In Step 1, the base figure for relative availability of DBE firms is weighted as follows:

Weighting of Base Figure - Based on the median of federal participation.

Table 1 – Construction and Professional Services Award Table for Federal Fiscal Years 2011 - 2015

Federal Fiscal Year	Federal Participation Construction Awards	Federal Participation Consultant Awards	Total Award Federal Participation	Construction Portion	Professional Service Portion
2011	\$171,618,787.00	\$8,366,100.00	\$179,984,887.00	0.9535	0.0464
2012	\$49,841,063.00	\$29,787,018.00	\$79,628,081.00	0.6259	0.3740
2013	\$69,190,617.00	\$29,326,345.00	\$98,516,962.00	0.7023	0.2976
2014	\$88,874,632.00	\$36,776,718.00	\$125,651,350.00	0.7073	0.2926
2015	\$124,959,178.00	\$36,572,918.00	\$161,532,096.00	0.7735	0.2264
			Median	0.7073	0.2926

The median of the last five years is used to weight the base figure between construction awards and professional service awards. It is reasonable to assume that the spread of expenditures in the coming year will follow past patterns.

The median of 0.9535, 0.6259, 0.7023, 0.7073 and 0.7735 equals 0.7073 or, 70.73% weight for the Construction portion.

The median of 0.0464, 0.3740, 0.2976, 0.2926 and 0.2264 equals 0.2926 or, 29.26% weight for the Professional Service portion.

The weighting calculation follows:

$$\left[.7073 \left(\frac{\text{RWA Construction DBEs}}{\text{All Construction Firms}} \right) + .2926 \left(\frac{\text{RWA Professional DBEs}}{\text{All Professional Firms}} \right) \right] =$$

$$\left[.7073 \left(\frac{121}{989} \right) + .2926 \left(\frac{182}{745} \right) \right] = [(.7073 \times .1223) + (.2926 \times .2443)] =$$

$$[(.0865) + (.0715)] = .158$$

or, 15.8% Weighted Base Figure

- As previously mentioned, the disparity study conducted in 2001 was not used due to the age of the data. We also did not use the goal of another DOT recipient.

Step 2: Adjustment of the base figure

DelDOT examined available evidence and determined that the base figure needed adjustment to arrive at an overall DBE goal that is reflective of actual DBE work performed as indicated in historical information. As outlined in Section 26.45 (d) (1) (i), the DelDOT base figure adjustment is based on the DBE past participation in DOT-assisted contracts.

DelDOT arrived at a numerator for DBE participation based upon data that provided actual contract award amounts for each prime contract and subcontract awarded to DBEs on DOT-assisted contracts in Federal Fiscal years 2011, 2012, 2013, 2014, and 2015. The denominator is the total of awards on DOT-assisted contracts for both Construction and Professional Services for the same period.

Table 2 – DBE Participation Table for Federal Fiscal Years 2008 - 2012

Awards by Federal Fiscal Year	Total Federal Participation	Awards to DBE firms in dollars (RC)	Awards to DBE firms in dollars (RN)	Total DBE Awards	DBE Participation
2011	\$179,984,887.00	\$24,425,118.00	\$1,664,283.33	\$26,089,401.33	0.1449
2012	\$79,628,081.00	\$5,682,736.97	\$2,627,617.05	\$8,310,354.02	0.1043
2013	\$98,516,962.00	\$9,066,762.00	\$1,652,988.00	\$10,719,750.00	0.1088
2014	\$125,651,350.00	\$17,028,963.00	\$4,638,241.00	\$21,667,204.00	0.1724
2015	\$161,532,096.00	\$15,476,532.00	\$3,628,611.00	\$19,105,143.00	0.1182
Total	\$645,313,376.00	\$71,680,111.97	\$14,211,740.38	\$85,891,852.35	0.1331
5 year					
Median					0.1182
Mean					0.1297
Total Awards					0.1331

The DBE participation in Fiscal Years 2011, 2012, 2013, 2014, and 2015 was selected to meet the intent of 49 CFR Section 26.45. The current capacity of DBEs is based on past participation which is demonstrable evidence of the availability and capacity of DBE firms in DelDOT's market area. The current DBE Rule requires that the methodology used to determine the level of DBE participation be based upon demonstrable evidence of the availability of ready, willing, and able DBEs relative to all ready, willing, and able businesses participating in the Department's DOT-assisted contracting. Furthermore, the goal must reflect the Department's determination of the expected level of DBE participation absent the effects of discrimination.

Adjusting the Weighted Base figure using the Median DBE Participation

As shown above, the median DBE participation was determined to be 0.1182 for the years 2011, 2012, 2013, 2014, and 2015. The base figure adjustment calculation uses the median approach as follows:

$$\left[\frac{\text{Weighted Base Figure} + \text{Median DBE Capacity}}{2} \right] =$$

$$\left[\frac{.1580 + .1182}{2} \right] = \left[\frac{.2761}{2} \right] = .1380$$

Or, an **Overall DBE Program Participation Goal of 13.80%**

According to 49 CFR §26.45 (d)(1) the types of evidence that must be considered when adjusting the base figure include the following

- Current capacity of DBEs to perform work in the DOT assisted contracting program
- Evidence from Disparity studies
- Adjustment for differences in market and contracting program (when using the goal of another recipient)
- Evidence from related fields that affect opportunities for DBEs (if available)
- Disparities in ability of DBEs to get financing, bonding and insurance
- Data on employment, self-employment, education, training and union apprenticeships as it relates to DBEs

As noted above, the current capacity of DBEs to perform work in DelDOT's assisted contracting program was taken into consideration. The 2001 disparity study of Delaware's public works procurement activities was not considered because the information is outdated. We are unaware of any other disparity studies conducted within DelDOT's jurisdiction or any information on employment, self-employment, education, training or union apprenticeships that relate to the opportunities for DBEs to perform in our program. Also, DelDOT did not use the goal of another

recipient in the base figure. Therefore it is not necessary to adjust for differences in local markets or programs.

Race-/ Gender-Neutral and Race-/ Gender-Conscious Split

As stated in the Delaware Department of Transportation Disadvantaged Business Enterprise Program Plan, the definition of race neutral is a measure or program that is, or can be used to assist all small businesses. Within the DelDOT DBE Program Plan race-neutral includes gender neutrality. The Department has also implemented a small business element program that encourages all small businesses that qualify based on SBA guidelines, to bid on work advertised by DelDOT. Other race-neutral measures employed by DelDOT include:

- Providing prompt payment monitoring for all sub-contractors
- Assisting DBEs to develop their capability
- Encouraging prime contractors to sub-contract a portion of their work
- Eliminating bonding requirements for all sub-contractors.

To determine a projection of the maximum feasible portion of the overall DBE goal that is potentially attainable through race-/gender-neutral participation in DOT-assisted contracting, DelDOT examined all DOT-assisted contracts that did not have a DBE contract goal in federal fiscal years 2011, 2012, 2013, 2014, and 2015, searching for participation of DBE firms as prime contractors or subcontractors. Additionally, DelDOT examined all DBE subcontracts not submitted for goal attainment purposes awarded during the same period with assigned DBE goals. All available evidence was examined to determine the past level of race-/gender-neutral DBE participation in Construction and Professional Service categories. The race-/gender-neutral prime contract and subcontract awards are combined to arrive at the race-/gender-neutral financial participation level.

The numerator is the combined aggregate award amounts to DBE prime contractors and subcontractors on DOT-assisted contracts occurring in a race-/gender-neutral environment in federal fiscal years 2011, 2012, 2013, 2014, and 2015. The denominator is the aggregate of all awards on DOT-assisted contracts in the same time-period. Following are the calculations to derive the maximum feasible portion of the overall DBE goal that is potentially attainable through race-/gender-neutral means.

$$\left[\frac{\text{DBE R - /G N awards in Construction/Professional Service (2011 - 2015)}}{\text{All awards in Construction / Professional Services (2011 - 2015)}} \right] =$$

$$\left[\frac{\$14,211,740.38}{\$645,313,376.00} \right] = .0220$$

or, 2.20% Race-/Gender-Neutral participation goal.

Overall Goal Source Information for the Delaware Department of Transportation

In 2006, DelDOT revised its bidder's registration process to capture the universe in which DBE's and non-DBE's seek to work on federally assisted contracts. The list of bidders used in the calculation of the base and weighted base figures includes all registered bidders/vendors and participating subcontractors and the registered list of consultants and participating sub consultants respectively, plus other relevant market-area road construction contractors and consultants listed in the Blue Book of Building and Construction.

The base figure weighting uses the historical spread between construction and professional service awards on DOT-assisted projects for the same federal fiscal period of 2011, 2012, 2013, 2014, and 2015. All figures are truncated to four significant digits in the calculations.

The Federal Participation values are extracted from current DelDOT databases. The raw award information is established with information available from various DelDOT electronic sources. In this case, the awards were from October 1, 2011 through September 30, 2015. The award information is separated into two categories, DOT-assisted projects and state funded projects. DelDOT's electronic sources provide detailed accounting of funding sources that constitutes the percentage of federal participation. The participation amounts for each federal fiscal year were accumulated and are displayed in Table 2 above. These figures were used to determine the median DBE participation used in the weighted base figure adjustment calculations.

During the past several years, supportive services such as training, networking, and matchmaking opportunities have been provided to certified DBEs to enhance their ability to compete in the business world. The ultimate goal is for DBE firms to operate and compete with other businesses with little or no aid, and to eventually graduate from the DBE program.