

Iowa Department of Transportation

DBE Goal setting for 2018 - 2020

Methodology, computations
and results

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INTRODUCTION

To comply with 49 CFR Part 26.45, the Iowa DOT established its overall DBE goal based on the availability of ready, willing, and able DBEs, within the Iowa highway construction industry, relative to the availability of all ready, willing, and able businesses within the same industry. Establishing the overall DBE goal involves two primary steps:

- 1. Determine a base figure for the relative availability of DBEs.**
- 2. Examine evidence from within the state to determine what adjustments, if any, are necessary to the base figure to arrive at the overall goal.**

According to the Regulations, the Iowa Department of Transportation (Iowa DOT) must assess Disadvantaged Business Enterprise (DBE) participation in all federal-aid Highway Division contracts. Additionally, the regulations require that we establish annual goals for such participation every three years.

The purpose of this document is to present the methodology, computations and results for this goal setting process. In the regulations two steps are described for the goal setting methodology which we will try to follow in this study as close as mathematically/statistically possible.

PART A: METHODOLOGY

Step 1: Our intention was to calculate DBE participation in our market area (Step 1) using the latest available information from Census Bureau Data. Unfortunately, we were unable to access information that we believed was specific enough to determine whether small businesses would potentially meet the regulatory parameters for DBE participation. This was despite reaching out to the Census Bureau for assistance.

As a result, we opted to use our bidders list and DBE directory to obtain information to calculate out Step 1 figure. We believe that this provided us with better data for identifying firms that are ready, willing and able to provide services on Iowa DOT projects. This is primarily due to the fact that the Iowa DOT has experienced an approximately 300% increase in the number of certified DBEs over the past five years. The majority of this increase is attributable to interstate certification of DBEs from contiguous states; which, as will be discussed in more detail below are states that were included in our market area. We believe that this increase is attributed to several bi-state projects that motivated DBEs owners to become certified in Iowa and provide services on those projects. As such, we believe that utilizing our bidders list and DBE directory provides a very accurate method of identifying businesses ready, willing and able to provide work on Iowa DOT let projects.

Preparation:

We began our goal setting process by identifying interested individuals, businesses and organizations, then strategizing how best to notify them that we were engaging in this process. We wanted to ensure they were invited to be a part of the process by providing them with timely notice of when and how they could participate. In order to ensure the broadest range of input possible, we included certified DBEs; small business owners; county and municipal officers and their professional organizations; stakeholders internal to Iowa DOT; minority and women's advocacy agencies; minority media outlets; Hispanic/Spanish language media outlets; contractors currently doing business with Iowa DOT (prime, sub, DBE) and contractors who might be interested in doing

business with the DOT and the general public. This list is intended to be representative and is not exhaustive. Many interested parties appeared on more than one list of invitees.

Public meetings were scheduled for April 26, 2017 and May 25, 2017 at the DOT central complex in Ames, Iowa. Interested parties were invited to participate in the way most convenient for them; in person, via phone conference or by way of written submission. Publication of notice of the public meeting schedule took place during the week of April 10, 2017. This notice included the dates and location of both public meetings and stated that comments would be received until June 30, 2017. The deadline for submission of comments was later extended to July 14, 2017. The notice advised interested parties that the proposed methodology would be discussed on April 26, 2017 and comments on the methodology were welcome. The notice also advised interested parties that the proposed goal resulting from the methodology would be discussed and opened for comments at the May 25, 2017 meeting.

The April 26, 2017 meeting was moderately well attended, including representatives from Associated General Contractors of Iowa (AGC), prime contractor representative, subcontractor representative and owner of a DBE. There were several attendees from the Iowa DOT as well as FHWA- Iowa Division. Although participation telephone conference all was offered, there were no phone-in participants. Discussion included an overview of the available options identified for use in developing the goal setting methodology as well as a more detailed discussion of the proposed use of the bidder's list and the reasons for proposing that option. There was general agreement expressed at the meeting with the bidder's list proposal. No written or oral comments were received post-meeting.

At the May 25, 2017 meeting, we offered a proposed goal of 6.1% arrived at through the use of a bidder's list and further calculations that included a capacity assessment of Iowa certified DBEs as both prime and sub-contractors. This 6.1% proposed goal was arrived at via an adjustment to the Step 1 Base Figure based upon the findings of the capacity assessment. The meeting was again moderately well attended, with representatives of AGC-Iowa; subcontractors, a DBE; members of Iowa DOT staff as well as FHWA Iowa-Division staff. There was some discussion about whether the analysis included DBE businesses that are not engaging in work types relevant to highway and bridge construction as well as concerns that some DBE businesses certified via the interstate process do not actually intend to perform construction work in the state. Those concerns were specific to the enhanced data analysis resulting in an adjusted proposed goal. As mentioned above, the comment period was initially set to close on June 30, 2017, but was extended to July 14, 2017. Eight comments were received after the public meeting; all via email. All written comments were submitted by prime contractors, no DBEs offered written comments. While there was a lively discussion at the public meetings, there were no oral comments offered by DBEs or primes in attendance. . [The written comments are in the Appendix]

The written comments all mentioned the difficulty that prime contractors experience in obtaining sufficient interest from DBEs in bidding on federal-aid projects. Some commenters said that it can be difficult to obtain bids from one or even two DBEs. The commenters expressed concern that if the DBE goal is increased from the present 5.72% to 6.1% they will experience an inability to meet the goal. Approximately one-quarter of DBEs certified in Iowa perform highway and bridge construction work and that proportion has been stable.

Step 1: Define out Market Area and Calculate Step 1 Base figure

The market under study should be defined by geographic area and highway construction sector. We utilized our bidder’s list to determine which firms (DBE and non-DBE) had expressed an interest in performing work for the Iowa DOT. We identified where the home office of these firms was located. In the event that minimal work was performed by firms located in any of these states, the state would be excluded from the market area.

Table 1: Market Area identified via contracted dollars and percentage of total dollars by vendor home State. FHWA contracts between 01/01/2014 and 06/30/2017
Source: Elaborated using (A.1)

Vendor State	Federal contracts amount	Percentage per state	Include in the study	New percentage for included states
IA	\$1,770,979,837.84	65.24%	INCLUDE	66.752%
IL	\$95,786,263.28	3.53%	INCLUDE	3.610%
MN	\$120,013,266.97	4.42%	INCLUDE	4.524%
NE	\$260,367,576.58	9.59%	INCLUDE	9.814%
WI	\$405,913,881.78	14.95%	INCLUDE	15.300%
undefined	\$61,631,395.10	2.27%	DISCARD	0.000%
TOTAL	\$2,714,692,221.55	100.00%		100.000%
	Included states only	97.72971%		

Using this five- state market area (all of which are contiguous to Iowa), a review of our bidders list and DBE directory yielded 288 certified DBEs and 5349 firms (5061 of which are non-DBEs) ready, willing and able.

Ready, willing and able DBE’s	288	= 5.38%
All firms ready willing and able (including DBE’s and non-DBE’s	5,349	

Step 1 Base Figure = 5.38%.

Step 1A: Adjustment of Step 1 Base Figure

As referenced above, our data analytics intern conducted an enhanced analysis of the capacity of Iowa certified DBEs. This included a closer examination of the capacity of DBEs to perform as both prime and sub-contractors as well as of the work types performed by our DBEs. As a result, we proposed an adjusted goal of 6.1% at the May 27, 2017 meeting. At that meeting, we reviewed the data gathered and used for a capacity analysis and the findings leading to that proposed goal. This prompted discussion at the meeting as well written comments submitted after the meeting. The comments consistently expressed a concern on the part of primes that as they already experience difficulty obtaining more than one or two bids from DBEs on any given project, they were concerned that in the event the goal is increased to 6.1%, they will

be unable to meet contract goals in the future. As mentioned above, all written comments were submitted by primes, no DBEs offered comments at the public meeting or in written form.

We gave weight to these concerns and considered several factors. First, the Iowa DOT has consistently met its annual DBE goals, and in fact, has at times exceeded the established goal. Secondly, in the event that the low bidding contractor has not met the contract goal, we have a sophisticated Good Faith Effort (GFE) review process in place. The first step GFE panel will convene every time the low bid contractor fails to meet the goal when submitting their bid. The committee has met only three (3) times during this goal period (FY 15, 16, 17), reinforcing the fact that prime contractors have been able to meet the currently established goal. While those two factors are relevant; we also had to consider whether the capacity analysis and resulting proposed goal adjustment was appropriate.

This type of capacity assessment is not one of the methodologies listed in the regulations; and while the data analysis yielded some very interesting findings, those findings did not lead to the conclusion that adjusting our Step 1 Base Figure based upon this analysis was appropriate, especially considering that assessments will be made to determine whether an adjustment should be made to an annual goal during the upcoming triennial goalsetting period. Recognizing these facts, we opted not to adjust our Step 1 Base Figure by using this capacity assessment.

Despite our decision not to use the capacity assessment as a basis on which to adjust our Step 1 figure, it was apparent that our Step 1 figure of 5.38% was notably smaller than the level of our past participation and as mentioned above, we have consistently met and often exceeded our established goals. In such a situation, the Goal Setting Tips document suggests that an adjustment for past participation may be appropriate. This adjustment should be undertaken by averaging the Step 1 Figure (5.38%) with the median past participation rate.

In this situation, we agreed that such an adjustment was warranted. We first determined our median past participation for the previous five years (please see chart immediately below). That median participation rate was 6.49% and our Step 1 figure was 5.38%.

$$6.49 + 5.38 = 11.87 \times .50 = 5.935$$

The resulting 5.935% was rounded up to 5.94%.

For the reasons discussed above, our proposed goal of 5.94%.

Race Neutral/Race Conscious Breakdown

We began this analysis with a review of the race neutral and race conscious goals established for the prior five years. We determine our race conscious attainment by calculating the overall goals established through the monthly project goal setting exercise described above. The race neutral factor is based upon the percentage of work committed to DBEs above what was established through the monthly DBE project goal setting process.

The chart below reflects the race neutral and race conscious attainments over the past five years. the unquantifiable impact of the discontinuance of the good faith effort presumption, we believed that the best method for setting our race conscious goal would be to use the median from the prior five years. As such, we have established a race conscious goal of 3.43% with a race neutral goal of 2.51%.

	Race Neutral	Race Conscious	Total
FY 13	1.80	3.10	4.90
FY 14	3.50	2.20	5.80
FY 15	3.06	3.43	6.49
FY 16	2.36	4.42	6.77
FY 17	2.02	4.85	6.87

Conclusion

In conclusion, we opted to use our bidder's list as the foundation for our goal setting methodology. There was no opposition expressed by stake holders to this methodology when discussed and proposed at our April 26, 2017 public meeting. Our bidder's list is the most comprehensive and accurate method of determining the firms that are ready, willing and able to perform work in this state.

While we considered an adjustment to our Step 1 Base Figure based upon a capacity analysis, we determined that the data analysis, while providing interesting and useful information, was not an appropriate basis for making an adjustment. We then took into consideration the fact that our Step 1 figure was not reflective of our previous goal attainment. This led to a consideration of utilizing past participation as a basis for adjustment of the Step 1 figure. As discussed in more detail above, we calculated the median participation rate of the previous five years and then averaged the median figure with our Step 1 figure. After due consideration, we concluded that an adjustment based upon prior participation was appropriate.

For the reasons set out above, we propose a three-year goal of 5.94%.

Appendix: Written Comments

From: pjones@jonescontractingcorp.com [mailto:pjones@jonescontractingcorp.com]

Sent: Monday, June 12, 2017 9:33 AM

To: Kienast, Karen <Karen.Kienast@iowadot.us>

Subject: Proposed DBE Goal

Hi Karen,

It is my understanding the DOT is considering raising the DBE goal to 6.1% for FY 2018 to 2020.

My experience has been it is extremely difficult to reach the 3% goal. It's tough to find DBE companies that are even willing to quote. When they do quote, their scope of work often times does not come anywhere near the amount of goal needed.

I ask that you consider leaving the DBE goal as is at the current 3% rate.

Thank you and have a nice day.

Patrick Jones

Jones Contracting Corp

319-837-8129 (office)

319-469-2462 (fax)

www.jonescontractingcorp.com (web)



From: Robert Cramer [mailto:rcramer@cramerandassociatesinc.com]
Sent: Monday, June 12, 2017 9:53 AM
To: Kienast, Karen <Karen.Kienast@iowadot.us>
Subject: dbc goal

Hi, Karen:

Thanks for taking input on the annual DBE goal. I have not seen any evidence that justifies a 6.6% increase in the goal. I am concerned that the DOT is basing this on a hope that more DBEs will be enlisted. Besides new DBEs participating on the I-74 work, I don't have any reason to believe that is true. I would strongly urge the DOT to keep the existing goal at 5.71% until these new DBEs actually show they can perform the work. It's one thing to get on the list, another to follow-through with a quote, and still a very distant third thing to actually be able to perform the work and do it in a manner that will earn the favor of the Prime and the Owner so they want them back.

Most of the time, we only have 1 or 2 quotes from DBEs. So, there still seems to be a shortage. And, there is no restriction from DBEs getting more than the Annual Goal. All they have to do is perform a commercially useful function at a competitive price.

So, I would stick with the 5.71% goal and then let the DBEs perform in the free market beyond that.

Thanks.

Robert Cramer, P.E.

Cramer and Associates, Inc.

3100 SW Brookside Drive

Grimes, IA 50111

Ph: 515-265-1447

Cell: 515-249-1901



-----Original Message-----

From: Ron Otto [mailto:rotto@agcia.org]

Sent: Thursday, June 15, 2017 5:22 AM

To: Kienast, Karen <Karen.Kienast@iowadot.us>

Subject: Proposed DBE Goal

Karen,

Thanks for taking comments about the proposed new DBE goal. The proposed increase to 6.1% is an increase of 6.64% over the current goal of 5.72%. This seems unfairly high as we do not seem to have many bidding DBE's at this time. On many project we only receive 1 or 2 DBE quotes. With the exception of the new DBE's for the I-74 projects we have not gotten many new contractors that have much capacity to perform subcontract work as a DBE.

I am requesting that you reconsider raising the goal as it appears the current DBE community is busy.

Thank you for your consideration of this request.

Cork Peterson

Peterson Contractors, Inc.

319-345-2713 x204

319-788-4705 direct

cork@pcius.com

From: Duane McDonald [mailto:duanem@manatts.com]

Sent: Friday, June 23, 2017 10:01 AM

To: Kienast, Karen <Karen.Kienast@iowadot.us>

Cc: Ron Otto <rotto@agcia.org>; Greg Mulder (gmulder@concretestate.org) <gmulder@concretestate.org>; Brian Manatt <brianm@manatts.com>

Subject: DBE increase

Karen

Thank you for allowing a time for Comments on the increased goals for DBE.

Currently, Manatts have always been able to keep up with DBE goals in Iowa at the current goal percentage, but it's getting harder. The new proposed goal of 6.1% will make it harder than ever.

Manatts don't find a 6% increase in new DBE's quoting highway heavy projects to our company.

Last month's lettings Manatt estimators called around to qualified DBE contractors to quote specified work, and didn't receive any help. Their response was "not quoting that project".

Instead we were forced to added work to DBS's currently quoting the project, reluctantly work they don't usually perform.

The DBE contractors are getting busy and can't schedule MORE work.

It seems when these contractors are busy they prefer to stay where the majority of their work is performed and not spend their time traveling.

As the construction season goes on and the lettings slow down, DBE schedules fill up and the quotes slow down or sometimes stop.

Please reconsider increasing the DBE goal and leave it at the current level.

Thank You

Respectfully

Duane McDonald

Manatts, Inc.

From: Bill Rosener [mailto:billr@apai.net]
Sent: Friday, July 14, 2017 4:49 PM
To: Kienast, Karen <Karen.Kienast@iowadot.us>
Cc: Dillavou, Mitchell <Mitchell.Dillavou@iowadot.us>
Subject: Proposed DBE Goal - APAI Comments

Dear Ms. Kienast,

Thank you for the opportunity to provide input regarding the proposed increase to the IDOT DBE goal. Please find the attached document with comments from Asphalt Paving Association of Iowa contractor members regarding the proposed increase. In addition, many of our members have shared their feelings with me anecdotally that the current goal is extremely difficult to achieve on asphalt projects due to the limited bid items and even more limited amount of DBE contractors available to bid. This problem becomes exacerbated when bidding projects in rural Iowa. Although I believe the goal of the program to be just, I would encourage the Civil Rights Office to place a stronger effort in encouraging more DBE contractors to offer their services and to increase the opportunities for other work and services to be included in the DBE program. Please feel free to contact me at the numbers/email listed below for more information or input.

Sincerely

Bill Rosener

William Rosener

Executive Vice President

Asphalt Paving Association of Iowa

(O) 515-233-0015

(C) 515-450-0100

www.apai.net

Iowa DOT DBE Goal Increase

Asphalt Paving Association Of Iowa Contractor Comments:

Manatt's doesn't feel that increasing the DBE goal is a good idea. We struggle on most asphalt projects to get enough dollars to satisfy the commitment. Sometimes, the only item is trucking, and we get one quote. This one quote typically is high and they can't haul enough material or oil to meet the project demands, essentially not earning enough dollars to satisfy the goal. Therefore, we are punished and get to make up the difference. Furthermore, it is increasing the cost of the project by forcing us to use higher priced subcontractors just to satisfy the commitment. With the limited number of DBE contractors, suppliers, and truckers this also causes a scheduling problem. All in all, this is a bad idea and in the end it costs the tax payers (and contractors) more money to get the projects completed.

Jason W. Spooner

jasons@manatts.com

Manatts, Inc

I do not see why we would take a program that is dysfunctional at best and increase the amount arbitrarily. We don't see any additional contractors and when we do they are not willing to move out of the more populated areas to work.

This where they are for the most part, and don't want to travel.

We have issues enough with trying to schedule DBE's. We increase the goal for no apparent reason?

The other issue I have is there is no realistic graduation criteria.

They can be a DBE forever, and although we pay them more the goal of becoming self-sufficient never gets realized.

If I had DBE status I guarantee I would never exceed the limits for graduation.

Again we all don't live in CR or DSM.

Brady Meldrem

Norris Asphalt

I understand this is being pushed by the Fed's. but what concerns me is it is hard enough already getting enough DBE participation on rural mill and overlays with the existing percentage. There is not enough DBE firms that will travel, are qualified and do the right type of work. If the DOT would allow contractors to have the AC supplied and delivered by a DBE firm this would help achieve the goals on these mill and overlays. This is allowed in Minnesota and North Dakota.

Thanks

Ronald A. Hall

President

[Knife River Midwest LLC](#)

The DBE goal is already very difficult to meet in rural Iowa because of the lack of DBE firms. Increasing the amount causes an undue hardship on construction companies.

Chris Duininck

Duininck Incorporated

Vice President of Contracting