

Iowa Department of Transportation

DBE Goal Methodology for 2021-2023

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 Iowa DOT experiencing an approximately 33% increase in the number of certified DBEs over the past five years. The majority of the 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 May 18, 2020 and June 18, 2020. The meetings were conducted via teleconference due to the COVID 19 pandemic being experienced nationally which did not allow the Iowa DOT to option of conducting the public meetings at the Iowa DOT central complex in Ames, Iowa. Interested parties were invited to participate in the way most convenient for them; via phone conference or by way of written submission. Publication of notice of the public meeting schedule took place during the week of April 17, 2020. This notice included the dates and location of both public meetings and stated that comments would be received until July 16, 2020. The notice advised interested parties that the proposed methodology would be discussed on May 18, 2020 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 June 18, 2020 meeting.

Participants at the May 18, 2020 meeting included representatives from the Associated General Contractors of Iowa (AGC), contractors including those who bid as prime contractors, subcontractors and DBE firms. Also attending was a representative from a Metropolitan Planning Organization. There were several attendees from the Iowa DOT as well as FHWA-Iowa Division. 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 June 18, 2020 meeting, the Iowa DOT offered a proposed goal of 6.03% 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 subcontractors. This 6.03% proposed goal was arrived at via an adjustment to the Step 1 Base Figure based upon the findings of the capacity assessment. Attendees at the meeting included representatives of the AGC of Iowa; prime and subcontractors including those who are DBE certified; several attendees representing from cities and a MPO, a private citizen, a representative from the Small Business Administration, 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. Those concerns were specific to the enhanced data analysis resulting in an adjusted proposed goal. Oral comments offered from a prime contractor was the proposed goal was fair. Another comment offered by a subcontractor was the proposed goal should be higher. No written or oral comments were received post meeting.

[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

were 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 01/01/2017 and 06/30/2020
Source: Elaborated using (A.1)

Vendor State	Iowa DOT federal contracts amount	Percentage per state	Include in the study	New percentage for included states
IA	\$959,798,128.20	73.46%	INCLUDE	73.71%
IL	\$64,845,913.13	2.43%	INCLUDE	2.44%
MN	\$28,875,400.80	1.08%	INCLUDE	1.09%
NE	\$180,098,268.24	6.75%	INCLUDE	6.77%
WI	\$425,219,400.80	15.94%	INCLUDE	15.99%
undefined	\$9,132,247.03	0.34%	DISCARD	0.00%
TOTAL	\$2,667,969,586.75	100.00%		100.000%
	Included states only	99.66%		

Using this five- state market area (all of which are contiguous to Iowa), a review of our bidders list (which included vendors, both successful and unsuccessful in acquiring federally funded Iowa DOT work either as a prime or subcontractor or both) and DBE directory (official directory of firms currently certified through the Iowa DOT as DBEs as well as firms who were identified to be potentially certified as DBEs) yielded 303 certified DBEs (300 currently certified/3 certifications in process) and 5726 firms (5423 of which are non-DBEs) ready, willing and able.

<u>Ready, willing and able DBE's</u>	303
All firms ready, willing and able (including DBE's and non-DBE's)	5726
Equals	5.29%

Step 1 Base Figure = 5.29%.

Step 1A: Adjustment of Step 1 Base Figure

Further analysis of the capacity of Iowa certified DBEs was warranted. 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 6.03% at the June 18, 2020 meeting. At that meeting, we reviewed the data gathered and used for a capacity analysis and the findings leading to that proposed goal. There was very little discussion regarding the proposed goal.

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 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 (FY18, 19, 20), 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 5.29% 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 (5.29%) 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 6.77% and our Step 1 figure was 5.29%.

$$6.77 + 5.29 = 12.06 \times .50 = 6.03\%$$

For the reasons discussed above, our proposed goal of 6.03%.

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 meeting 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 3.79% with a race neutral goal of 2.24%.

	Race Neutral	Race Conscious	Total
FY 15	3.06	3.43	6.49
FY 16	2.36	4.42	6.77
FY 17	2.02	4.85	6.87
FY 18	3.50	3.28	7.28
FY 19	2.11	3.79	5.91

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 May 18, 2020 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 6.03%.