



Iowa Department of Transportation

FY 2012-2014 DBE Goals

July 27, 2011

Methodology

To comply with 49 CFR Part 26.45, the Iowa Department of Transportation (DOT) established its Disadvantaged Business Enterprise (DBE) goal based on 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 (hereafter, this proportion is referred to as "the relative availability of DBEs").

Establishing the DBE goal involves two primary steps:

1. Determining a base figure for the relative availability of DBEs
2. Examining evidence in the state to determine what adjustments, if any, are necessary to the base figure to arrive at the overall goal

The Iowa DOT used this methodology to determine its FY2012 DBE goal, as well as all prior annual goals starting in FY2000. Comparisons to previous goals are shown in Attachment A. A timeline of events for the annual DBE goal-setting methodology process is provided in Attachment B.

Step one: Determining a base figure for the relative availability of DBEs

The Iowa DOT has used various comparative methods to determine 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.

In 1999, the Iowa DOT established a plan-holders database that identifies each project let for bid, and the firms whom have requested a plan (or bid proposal document) for that project. The assumption is any ready, willing and able firm would need the details of the project to submit a bid.

Since the Iowa DOT is the only source of these documents, the plan-holders list is considered a statistically representative list of the universe of ready, willing and able firms, including both DBE and nonDBE contractors and subcontractors.

From the database, a plan-holders list covering a three-year period for all contracts, including suppliers, manufacturers, truckers, and consultants was compiled. The resulting list was used to determine the percentage of DBE firms among all firms requesting a plan or proposal, which was calculated to be 4.5 percent.

(Notes: Information on a business' current operating status is not collected for nonDBE firms; therefore, the information could not be used to screen both lists equally of ready, willing and able firms. The market area identified in the database encompasses all firms who requested either a plan or proposal regardless of their business' location. Thus, surrounding states are represented in this calculation.)

48 DBE firms requested a plan or proposal = 4.5%
1058 total firms requested a plan or proposal

For comparative purposes, the Iowa DOT also determined the percentage of DBE firms that were awarded at least one Iowa DOT contract or subcontract among all firms that received an award during the last three years. This provided a relative availability of DBE firms of 5.1 percent.

(Note: Suppliers, manufacturers and consultants were not included in this calculation.)

$$\frac{37 \text{ different DBE firms receiving contracts or subcontracts}}{719 \text{ different firms, in industry, receiving contracts or subcontracts}} = 5.1\%$$

Step two: Examining available evidence to make adjustments, if necessary

To determine what adjustments, if any, were necessary to estimates of the relative availability of DBEs, the Iowa DOT examined the following five factors:

Factor 1 - The percentage of all Iowa DOT prime contracts received by DBEs was examined, because such contracts were awarded through a race-neutral, low-bid process. The percentage should, therefore, represent the ability of DBE firms to compete and obtain prime contracts in a race-neutral market. The following formula was used to obtain this percentage:

$$\frac{63 \text{ DBE prime contract awards}}{1960 \text{ all prime contract awards}} = 3.2\%$$

Factor 2 - The percentage of all Iowa DOT subcontracts received by DBEs, for both federal-aid and nonfederal-aid projects, was examined, because this percentage represents the ability of DBEs to compete and obtain subcontracts through both race-neutral and race-conscious measures. Suppliers, manufacturers, truckers and consultants were not included in the calculation.

$$\frac{793 \text{ DBE subcontracts awarded}}{7007 \text{ all subcontracts awarded}} = 11.3\%$$

Factor 3 - The percentage of all Iowa DOT contracts and subcontracts awarded to DBEs, according to total dollar value, for both federal-aid and nonfederal-aid projects, was examined. The resulting percentage determined the amount of work received by DBEs relative to the maximum total work capacity of all firms. The following formula was used to obtain this percentage:

$$\frac{\$93.7 \text{ million of all DBE contracts and subcontracts}}{\$2,327.9 \text{ million of all contracts (to all firms in the industry)}} = 4.0\%$$

Factor 4 - The percentage of all Iowa DOT contracts awarded to DBEs, according to total dollar value, for both federal-aid and nonfederal-aid projects, was examined. The resulting percentage determined the amount of work received by DBEs by the low bid process, which is race neutral. The following formula was used to obtain this percentage.

$$\frac{\$26.0 \text{ million of all DBE contracts}}{\$2,327.9 \text{ million dollars of all contracts}} = 1.1\%$$

Factor 5 - The percentage of all Iowa DOT subcontracts, by total dollar value, received by DBEs was examined in three categories:

1. The percentage of all contract dollars received by DBEs, for both federal-aid and nonfederal-aid projects

$$\frac{\$67.7 \text{ million of DBE subcontracts on all contract}}{\$2,327.9 \text{ million on all contracts}} = 2.9\%$$

2. The percentage of contract dollars subcontracted to DBEs on contracts with DBE goals. The resulting percentage determines the amount of subcontract work received by DBEs through race-conscience efforts.

$$\frac{\$55.9 \text{ million of DBE subcontracts}}{\$1,485.2 \text{ million on contracts with DBE goals}} = 3.8\%$$

3. The percentage of contract dollars subcontracted to DBEs on contracts without goals. The resulting percentage determines the amount of subcontract work received by DBEs through race-neutral subcontract efforts.

$$\frac{\$8.6 \text{ million of DBE subcontracts}}{\$842.6 \text{ million of all contracts without of goals}} = 1.0\%$$

Proposed overall FHWA FY 2012-2014 DBE goal

Step 1: Determining the annual DBE goal based on the relative availability of DBE firms. Iowa has been making the Step 1 determination of ready, willing and able based on three calendar years total of plan-holders data. Based on the data, the FY2012-2014 DBE goal should be 4.5%. (Last year's calculations showed 4.6% based on similar procedures and the requirement to utilize FY 2010's annual DBE goal.)

Step 2: Once the base figure for the annual goal has been determined, the recipient must examine all of the evidence available in your jurisdiction to determine what adjustment, if any, is needed to the base figure to arrive at the overall goal. Suggested evidence in the federal regulations that the Iowa DOT considered are:

1. Current capacity of DBE firms to perform the work – The data shows that minority and female contractors and suppliers have been, on a percentage basis, more successful at getting contracts than the male nonminority contractors and suppliers. The DOT contends the participation percentage may be exceeding the availability percentage due to the race-conscious measures used by the department.
2. Evidence of disparity studies –The Iowa DOT has not conducted any disparity studies. The department is also unaware of any current disparity studies related to federally-assisted projects within the state and/or the market area. Should a disparity study to determine the existence of discrimination and its effects in the state marketplace specific to it federal-aid assisted projects become available, the Iowa DOT would be willing to actively participate and/or provide relevant information for a study.
3. Using the base figure of another recipient – Not applicable since the Iowa DOT has computed its own base figure.
4. Statistical disparities in the ability of DBE firms to get financing, bonding and insurance – The Iowa DOT has not been able to identify any such disparities.

5. Data on employment and training opportunities for DBE firms to perform in the Iowa DOT's contracting program – The Iowa DOT has not been able to identify any available data on such opportunities.
6. Adjustment to take into account continuing effects of past discrimination – The Iowa DOT has no evidence of past discrimination.

No Step 2 adjustments made a result of these issues. Therefore, the Iowa DOT proposes to set the FY2012-2014 DBE goal at 4.5 percent, based on Step 1, the availability of ready, willing and able DBE firms as a percentage of all firms that are ready, willing and able, without a Step 2 adjustment.

Race- and gender- neutral and conscious measures section 26.51

Race-neutral and race-conscious division: Based on historical data, the Iowa DOT contends it can achieve approximately 2.1 percent through race-neutral methods since DBE firms historically receive prime contracts representing approximately 1.1 percent of available federal funds; and are used for about 1 percent on projects without DBE goals. Therefore, the Iowa DOT proposes to accomplish 53 percent of its goal (2.4 percent) through race-neutral measures and 47 percent (2.1 percent) of its goal through race-conscious measures.

- A. Description of information relied upon:** The Iowa DOT uses the Transport software, as supported by other data compiled and maintained by the Iowa DOT Office of Contracts, to manage and report its awards/commitments and payments. The Iowa DOT analyzed past DBE participation using payment information for the three-year period from 2008 to 2010. This data was based on prime contracts awarded to DBEs, the extent of DBE participation on contracts without goals and DBE participation in contracts with goals. The Iowa DOT's estimate of the maximum feasible portion of the goal (2.4 percent) achievable through race-neutral participation is based on past participation and supported by race-neutral measures noted in the following paragraph.
- B. Description of the types of race-neutral measures implemented by the state:** A good-faith effort point system, encouraging the continual usage of DBE's on all contracts (nonfederal and federal) throughout the entire year. Total dollars subcontracted to DBEs compared to all dollars earned over the most recent 24 month period, on contracts let by the Iowa DOT, is used monthly to calculate a contractor's good-faith effort of DBE participation. Participation must equal or exceed 67 percent of the department's annual DBE goal.

Public participation section 26.45 (g)

- A. Consultation:** On May 3, 2011, the Iowa DOT conducted a public information meeting to explain its goal-setting methodology and solicit feedback from program stakeholders. Representatives from the following groups were present: material suppliers, professional services providers, disadvantaged business enterprises, prime contractors, and members of the Associated General Contractors of Iowa. During this meeting, further discussion was held regarding the use of a bidder's list method and prospect of applying another method that may yield higher relative availability. Further discussion led to inquiries regarding the availability of supportive services offerings to DBEs. The Iowa DOT responded to these concerns by explaining the reliability and specific nature of its data, as well as the supportive services currently offered that potentially affect the goal.

On July 5, 2011, the Iowa DOT conducted the second of two public meetings to explain and solicit feedback from program stakeholders on the process and proposed FY 2012-2014 annual DBE goal. Professional service providers, disadvantaged business enterprises, prime contractors and members of the Associated General Contractors of Iowa attended the meeting.

During this meeting, explanation was provided on the chosen method, option 5 (Alternative Method), to identify the ready, willing and able population of Iowa DBE's in comparison to all contractors. The calculation method was shown and potential step 2 calculations were reviewed. No Step 2 adjustments were taken on the proposed calculated goal.

B. Published notice: The Iowa DOT published notice of the proposed goal and availability of its methodology in the *Des Moines Register* June 10, 2011. This notice was also posted on the Bidx website for all contractors and Office of Contract's website. The notice was also posted in the following newspapers and publications: The Des Moines Register (04/01/2011)(06/10/2011), EL Comunicador and Iowa Fronteras Newspapers (04/29/2011) (06/09/2011) and Iowa Bystander (04/01/2011)(06/10/2011). The Iowa DOT sent personal invitations (03/28/2011) to the May 3 and July 5 meeting to the following: all certified Iowa Highway Construction DBEs and AGC/IDOT/DBE Task Force Committee Members. The Iowa DOT sent an email notice (04/01/2011) with both meeting dates to the following distribution list: Asian Contacts; Latino Contacts; okodomoi@msn.com; SiouxCityAAContacts; StateAAContacts; WlooAAClergy; DSMAAContacts; CedarRapidsAAContacts; QuadCitiesAAContacts; WlooAAContacts; mwalton@asac.us; Miller, Helen [LEGIS]; Abdul-Samad, Ako [LEGIS]; Alba Perez; Alfred Ramirez (alfred@gqchcc.com); City Human/Civil Rights Contacts; Commission on the Status of Asian and Pacific Islanders; Division of Deaf Services; Division of Persons with Disabilities; Division on the Status of African Americans; Division on the Status of Women; Iowa Division of Latino Affairs; IVRS; Japanese Association of Iowa (info@japaniowa.org); Kevin Clark; Latinos Unidos (latinosunidosofiowa@gmail.com); Ohr, Henny [DHR]; Pastor Isaac Oyibo; Plander, Lynette [DVRS]; Reed, Walter [DOT]; Women and Minorities in Construction Program Grant Coordinator (Thea Holmon-Ellis); Zalaznik, Scott [DOT]. The Iowa DOT sent an email notice to the DBE Goal Setting Distribution list on (04/05/2011) to the following: (breilly@reilly-construction.com); (creilly@reilly-construction.com); (jlechtenberg@reilly-construction.com); (lance.thompson@reilly-construction.com); (ltompson@reilly-construction.com); (Mary.Prescott@state.mn.us); (mary.walker@dot.gov); (tomm@mccrossan.com); (vglass@reilly-construction.com); Anderson, Kimberly; AndraySwift@yahoo.com; Asphalt Paving Assoc. of Iowa (apai@apai.net); Belzung, Steven [DOT]; Bierbaum, Roger [DOT]; Cain, Suezet [DOT]; Charlie Bailey (jumpme4307@sbcglobal.net); Chris Swalla (cswalla@netins.net); Cork Peterson (cork@petersoncontractors.com); dale_bragg@hotmail.com; Dan Graves; dtturner@dstcompanies.com; ebbe@mail.com; Hanson, Scott [DOT]; hizone@core.com; Hobbs, Maria [DOT]; Iowa Concrete Paving Assoc. (icpa@iowaconcretepaving.org); Jack, Krandel [DOT]; Kardell, Sheldon [DOT]; Kasper, Edward [DOT]; Kent Austin (skaustin@mac.com); Krista Taylor (ktaylor@taylorconstr.com); ladym58@sbcglobal.net; LeeLeenMart@aol.com; Nate Lawrence (nlaw10000@aol.com); pburnett44@gmail.com; Robert Cramer (rcramer@cramerandassociatesinc.com); Terry M Grabosch; Theo Holmon-Ellis (tholmon-ellis@eicc.edu); Theo McElhose (tmcelhose@sioux-city.org)

On June 10, 2011, the Iowa DOT sent personal invitations to a July 5 meeting to the following: all certified Iowa Highway Construction DBEs and AGC/IDOT/DBE Task Force Committee Members. The Iowa DOT sent an email notice (06/09/2011) with the July 5 meeting date to the following distribution list: Asian Contacts; Latino Contacts; okodomoi@msn.com; SiouxCityAAContacts; StateAAContacts; WlooAAClergy; DSMAAContacts; CedarRapidsAAContacts; QuadCitiesAAContacts; WlooAAContacts; mwalton@asac.us; Miller, Helen [LEGIS]; Abdul-Samad, Ako [LEGIS]; Alba Perez; Alfred Ramirez (alfred@gqchcc.com); City Human/Civil Rights Contacts; Commission on the Status of Asian and Pacific Islanders; Division of Deaf Services; Division of Persons with Disabilities; Division on the Status of African Americans; Division on the Status of Women; Iowa Division of Latino Affairs; IVRS; Japanese Association of Iowa (info@japaniowa.org); Kevin Clark; Latinos Unidos (latinosunidosofiowa@gmail.com); Ohr, Henny [DHR]; Pastor Isaac Oyibo; Plander, Lynette [DVRS]; Reed, Walter [DOT]; Women and Minorities in Construction

Program Grant Coordinator (Thea Holmon-Ellis); Zalaznik, Scott [DOT]; Plogmann, Danielle [DHR]; McGee, Isaiah [ED]; Denita Gadson; Paula Kelley (pkelley@southslope.net); Sydni Fenner; (breilly@reilly-construction.com); (creilly@reilly-construction.com); (jlechtenberg@reilly-construction.com); (lance.thompson@reilly-construction.com); (lthompson@reilly-construction.com); (Mary.Prescott@state.mn.us); (mary.walker@dot.gov); (tomm@mccrossan.com);(vglash@reilly-construction.com); Anderson, Kimberly; AndraySwift@yahoo.com; AsphaltPaving Assoc. of Iowa (apai@apai.net); Belzung, Steven [DOT]; Bierbaum, Roger [DOT]; blackwellci@yahoo.com; Cain, Suezet [DOT]; Charlie Bailey (jumpme4307@sbcglobal.net); Chris Swalla (cswalla@netins.net); Cork Peterson (cork@petersoncontractors.com); dale_bragg@hotmail.com; Dan Graves; dturner@dstcompanies.com; ebbe@mail.com; Hanson, Scott [DOT]; hizone@core.com;Hobbs, Maria [DOT]; Iowa Concrete Paving Assoc. (icpa@iowaconcretepaving.org); Jack, Krandel [DOT]; Kardell, Sheldon [DOT]; Kasper, Edward [DOT]; Kent Austin (skaustin@mac.com); Krista Taylor (ktaylor@taylorconstr.com); ladym58@sbcglobal.net; LeeLeenMart@aol.com; Nate Lawrence (nlaw10000@aol.com); pburnett44@gmail.com; Robert Cramer (rcramer@cramerandassociatesinc.com); Smith, Larry [DOT]; Steve Sandquist (uci@unitedcontractors.net); Terry M Grabosch; Theo Holmon-Ellis (tholmon-ellis@eicc.edu); Theo McElhose (tmcelhose@sioux-city.org)

- C. Comments:** On April 1, 2011 the 45-day public comment period began on the Iowa DBE goal-setting methodology. The comment period ended on May 27, 2011 (based on date of the last published notice). Discussions during the public meeting on the availability and reliability of the use of a bidder's list took place. No additional comments were received. Meeting minutes, attendance and handouts were made available on the Office of Contracts website May 11, 2011.

On June 10, 2011, the 45-day public comment period began on the proposed annual DBE goal. Iowa DOT's 45-day comment period ended on July 25, 2011 (based on date of the last published notice). One additional request to review the goal-setting methodology was received via E-mail; however, no comments were received. Meeting minutes, attendance and handouts were made available on the Office of Contracts' Website July 8, 2011.

Proposed overall FTA 2012 DBE goal

The Iowa DOT's Modal Division has submitted a proposed FFY 2011-2013 DBE goal of 0.37 percent. Approximately 0.29 percent will be achieved through race-conscious means and 0.08 percent through race-neutral means

Proposed overall FAA FY2012 DBE goal

The Iowa DOT's Modal Division has submitted a proposed FAA 2012 DBE goal of 1.2 percent. This will be obtained through 0.55 percent race-neutral means and 0.65 percent through race-conscious means.

Attachment A

DBE Availability and Usage

Based on computation of existing data (2002-2010 calendar years)

Includes the following data:

- Calendar year data based on the contract letting date
- Subcontracts based on the date they were let, not the date they were awarded
- This includes all contracts (federal-aid and nonfederal-aid) let through the Iowa DOT's Office of Contracts. These contracts represent about 98 percent of the dollars contracted through the DOT and its subrecipients. Data from locally let contracts and consultant contracts have not been included since that data is not readily available. However, it is assumed this contract data would be similar to the data on contracts let by the Iowa DOT.

Calendar Year Data used	2002-2004	2003-2005	2004-2006	2005-2007	2006-2008	2006-2008	2008-2010
STEP 1							
Availability based on expressed interest *	3.4%	4.5%	4.6%	4.4%	4.6%	4.6%	4.5%
Availability on participation	5.6%	6.2%	6.4%	6.8%	7.8%	7.8%	5.1%
STEP 2							
Factor 1 – DBE% of Prime contracts by number	5.6%	4.5%	6.0%	5.0%	4.8%	4.8%	3.2%
Factor 2 – DBE% of Subcontracts by number	13.2%	11.5%	11.5%	10.9%	10.3%	10.3%	11.3%
Factor 3 – DBE% of Primes/subcontracts by dollars	6.3%	5.6%	5.9%	5.6%	5.1%	5.1%	4.0%
Factor 4 - DBE% of Prime contracts by dollars	2.8%	2.4%	3.0%	2.9%	2.7%	2.7%	1.1%
Factor 5a – DBE% of Subcontracts for all contracts by dollars	3.5%	3.2%	2.9%	2.7%	2.4%	2.4%	2.9%
Factor 5b –DBE% of Subcontracts on projects with goals by dollars	4.8%	4.4%	4.1%	4.0%	4.0%	4.0%	3.8%
Factor 5c – DBE% of Subcontracts on projects without goals by dollars	1.5%	1.7%	1.6%	1.5%	1.1%	1.1%	1.0%
Annual FY DBE Goal	5.0%	4.5%	4.6%	4.4%	4.6%	4.6%	4.5%
FY DBE Accomplishment					5.7%		

* Beginning in FY 2003, Method 1 was based on plan-holder data. Prior to FY 2002, data was based on the list of prequalified contractors, since plan-holder data is not available prior to Jan. 1, 1999.

Calculations with 2008-2010 Data

June 6, 2011

Step 1, Method 1

- Availability based on expressed interest
63DBEs currently certified in highway areas
48 DBEs requested letting documents/1058 total contractors = 4.5%

Step 1, Method 2

- Availability based on participation
 $37/719=5.1\%$

Step 2, Factor 1

- DBE percentage of prime contracts by number
 $63/1960=3.2\%$

Step 2, Factor 2

- DBE percentage of subcontracts by number
 $793/7007=11.3\%$

Step 2, Factor 3

- DBE percentage of prime contracts/subcontracts by dollar value
 $(37.7m+26.0m)/2327.9m = 4.0\%$

Step 2, Factor 4

- DBE percentage of prime contracts by dollar value
 $26.0m/2327.9m = 1.1\%$

Step 2, Factor 5a

- DBE percentage of subcontractors on projects, all contracts
 $67.7m/2327.9m = 2.9\%$

Step 2, Factor 5b

- DBE percentage of subcontracts on projects, with goals by dollar value
 $255.9m/1485.2m = 3.8\%$

Step 2, Factor 5c

- DBE percentage of subcontractors on projects, without goals by dollars
 $8.6m/(403.2m+439.4m) = 1.0\%$