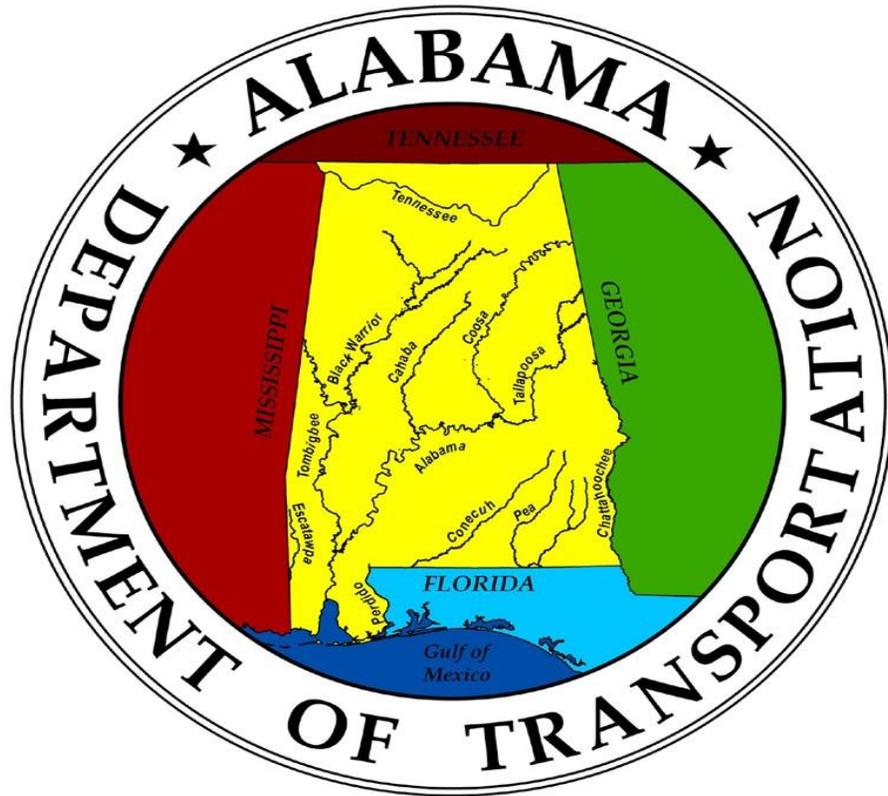


Alabama Department of Transportation

Disadvantaged Business Enterprise (DBE) Program



FHWA Triennial DBE Goal Setting Methodology

Federal Fiscal Years 2022 through 2024

ALABAMA DEPARTMENT OF TRANSPORTATION FHWA TRIENNIAL DBE OVERALL GOAL SETTING METHODOLOGY

Federal Fiscal Years 2022-2024

EXECUTIVE SUMMARY

The Alabama Department of Transportation (ALDOT), as a recipient of the Federal Highway Administration (FHWA) financial assistance, is required to establish a Disadvantaged Business Enterprise Program (DBE) triennial overall DBE goal and methodology. ALDOT has developed its DBE goal using a goal-setting methodology in accordance with Title 49 Code of Federal Regulations (CFR), Section 26.45 and the guidance set forth in the Tips for Goal-Setting in the Disadvantaged Business Enterprise Program published by the U.S. Department of Transportation Office of Small and Disadvantaged Business Utilization. While ALDOT's DBE goal and methodology is established every three years, ALDOT conducts interim reviews or mid-course "inline adjustments" annually to assess market conditions and to ensure that its goal remains defensible.

To comply with 49 CFR 26.45, ALDOT established an overall goal based on the availability of ready, willing and able DBEs relative to the availability of all ready, willing and able firms within the State of Alabama who are interested in ALDOT's highway project opportunities. ALDOT proposed overall goal for federal fiscal years (FFY) 2022-2024 is 8.65% which it expects to meet 2.20% through race neutral means and 6.45% through race conscious means.

OVERVIEW OF THE GOAL-SETTING PROCESS

As a recipient of FHWA financial assistance, ALDOT is required to submit a triennial overall goal for DBE participation using a goal-setting methodology. The DBE goal methodology considers the anticipated FHWA financial assistance for FFYs 2022-2024; anticipated work categories to be contracted or subcontracted out; establish ALDOT's geographic market on where DBEs and non-DBEs come from to perform work on ALDOT contracts; and to determine the level of participation that ALDOT could expect in the absence of discrimination or other socio-economic barriers. The first step in the DBE goal-setting process involves identifying the work categories that DBEs may pursue; identifying ALDOT's geographic market for the relative availability of DBEs and non-DBEs; establishing a base figure of DBEs and non-DBEs and describing the evidence with which the step one base figure of DBE availability was calculated. In step two, ALDOT may consider adjusting the step one base figure. The purpose of an adjustment to the base figure is to establish that the overall DBE goal was as precise as possible, where appropriate; and, describing the evidence relied upon for such an adjustment. The next step is to identify what portion of the overall goal should be met through race-neutral and or race-conscious measures. The DBE regulations suggest that state DOT's should meet the "maximum feasible portion" of its overall DBE goal through the facilitation of race-neutral DBE participation. The final step is sharing the proposed DBE overall goal and the methodology with the public. The purpose of the public consultation is to obtain the public input concerning the availability of disadvantaged and non-disadvantaged businesses, the effects of discrimination on

opportunities for DBEs, and include ALDOT's efforts to establish a level playing field for the participation of DBEs. The public will be asked to provide comments during a 30-day comment period. A DBE Goal Notice will be posted on ALDOT's website. Following the public consultation period and considering the public's comments, ALDOT will review the public comments and adjust the proposed overall goal, if applicable. ALDOT will submit the final goal and methodology to FHWA on a triennial basis.

Methodology and Data Sources

The calculations to determine the base figure are made to measure the relative availability of DBE firms. ALDOT resolved that it has many resources for data to be considered in establishing the DBE goal for FFY 2022-2024. The data determined the percentage of DBE firms that are ready, willing, and able to respond to solicitations for the types of work that ALDOT will be soliciting contracts. ALDOT utilized data from the following sources:

- ALDOT Vendor List
- DBE firms listed in ALDOT's Unified Certification Program (UCP)
- Search of firms with North American Industry Classification System (NAICS) codes
- All Contractors listed on Bidders List of Quoters from 2018, 2019, and 2020
- All Contractors listed on As Read Bids from 2018, 2019, and 2020
- ALDOT payment system for 2018, 2019, and 2020
- ALDOT sublet records from 2018, 2019, and 2020
- ALDOT listing of DBEs decertified from 2018, 2019, and 2020
- Phone calls, emails, and surveys to verify participation or non-participation of contractors
- Funding and Work categories for the anticipated projects for 2022, 2023 and 2024

The data process included identifying all DBE firms in the appropriate NAICS codes and matching the firms to certified work types and Alabama DOT's UCP directory. To have an Apple to Apple comparison, DBE work types utilized in ALDOT's UCP directory were mapped to ALDOT's listing of work categories utilized by all subcontractors and primes. ALDOT took additional steps to ensure the bidders list included three years of data, 2018, 2019, and 2020, of all DBE and non-DBE bidders and quoters regardless of whether they were awarded a contract or a subcontract.

Funding for each category utilized in ALDOT's weighting chart was obtained by identifying and averaging expenditures from 2018, 2019, and 2020 for each of ALDOT's work categories.

STEP ONE: Base Figure Calculations Relative Availability of DBE Firms

Determination of the Geographic Market Area

For the ALDOT DBE goal to satisfy the requirements set forth in the USDOT regulations as well as comply with the Supreme Court's narrowly tailored standard, the DBE goal must be based on a defined geographic market. In determining the geographic market area for ALDOT, an analysis

was conducted of the substantial majority of all contractors and subcontractors with which ALDOT did business with, as well as where the substantial majority of ALDOT contract dollars were spent between October 1, 2017 and September 30, 2020. ALDOT determined that 81% of all contracting dollars were awarded to firms located within the state of Alabama. Therefore, ALDOT identified the state of Alabama as the relevant geographic market area.

Determination of the Step One Base Line Figure

As part of the goal setting process, step one required ALDOT to begin with a base figure for the relative availability of DBEs and non-DBEs.

The current USDOT tips and guidance for goal setting in the DBE program recommends that whenever possible a recipient should use weighting. The USDOT guidance states that while weighting is not required by the rule, it will make the goal calculation more accurate.

ALDOT reviewed over three years of contract data to assist with identifying a verifiable listing of anticipated work categories, to be contracted out, in FFYs 2022-2024. The 28 work categories identified are shown in Table 1.

Table 1: Work Categories

Bit Hot Mix Asphalt	Grass Sod Landscaping	Minor Drainage	Trucking
Bridge Painting	Guardrail	Mobilization	Utilities
Bridge Repair	Intelligent Transportation	Pavement Repair	Consulting Construction
Demolition	Intermediate Bridge	Pavement Marking	Consulting Management
Electrical Work	Major Bridge	Permanent Signing	
Flexible Paving	Major Drainage	Piling Drilling	
Geo Technical	Marine	Reinforcing Steel	
Grading	Minor Bridge	Traffic Control	

Weighting

ALDOT determined that the appropriate methodology for creating the 2022-2024 FHWA Triennial DBE overall goal was to use weighting. ALDOT looked at three years of contract dollars spent on 28 work categories (Table1) and then applied the dollars and work categories to the relative availability of DBE firms per work categories. Illustrated below in Table 2 are ALDOT’s data sets to prepare the weighting calculations.

Table 2: Weighting Calculations

Work Type Category	DBEs	Contractors	Total	% DBE	% of Federal Dollars	Weighted Availability
Bit. Hot Mix Structural & Surface	0	46	46	0.00%	42.9871%	0.0000%
Bridge Painting	0	3	3	0.00%	0.0582%	0.0000%
Bridge Repair	2	7	9	22.22%	0.1387%	0.0308%

Demolition	9	71	80	11.25%	0.9973%	0.1122%
Electrical Work	7	28	35	20.00%	1.6084%	0.3217%
Fencing	2	89	91	2.20%	0.0845%	0.0019%
Flexible Paving	15	46	61	24.59%	5.7704%	1.4189%
Geotechnical	0	14	14	0.00%	4.2182%	0.0000%
Grading	46	136	182	25.27%	4.3473%	1.0988%
Seeding, Sodding & Landscaping	29	91	120	24.17%	1.8103%	0.4375%
Guardrail	6	63	69	8.70%	1.8321%	0.1593%
Intelligent Transportation Systems	0	2	2	0.00%	0.2164%	0.0000%
Major & Intermediate Bridges	0	5	5	0.00%	4.5270%	0.0000%
Minor Bridges	2	9	11	18.18%	0.9118%	0.1658%
Minor Drainage	37	84	121	30.58%	1.7166%	0.5249%
Mobilization, Lab, Field Office	0	109	109	0.00%	7.5596%	0.0000%
Pavement Repair	15	61	76	19.74%	0.3853%	0.0760%
Permanent Marking	2	59	61	3.28%	5.5067%	0.1805%
Permanent Signing	0	56	56	0.00%	0.3156%	0.0000%
Piling, Drill Shaft	2	6	8	25.00%	1.6658%	0.4165%
Portland Cement	9	16	25	36.00%	0.1568%	0.0565%
Reinforcing Steel	9	14	23	39.13%	0.9631%	0.3768%
Traffic Control	2	16	18	11.11%	1.6279%	0.1809%
Trucking	45	81	126	35.71%	2.7842%	0.9944%
Utilities	9	47	56	16.07%	1.1103%	0.1784%
Consulting - Construction	7	79	86	8.14%	4.9449%	0.4025%
Consulting- Project Management	12	168	180	6.67%	1.7554%	0.1170%
					100.00%	7.25%

Table 2 Legend

- DBEs** = Number of DBE firms
- Contractors** = Number of Non-DBE firms
- Total Contractors** = DBE's + Contractors
- % DBE** = DBE's / Total Contractors
- % of Federal Dollars** = the % of funding allocated to a work category
- Weighted Availability** = % DBE * % of Federal Dollars

Results of the Step 1 Base Figure Methodology

The results of step one indicates that **7.25%** is a valid base figure under current rules and processes for the determination of DBE availability to perform on ALDOT’s anticipated FHWA financially assisted projects in FFYs 2022-2024. The 7.25% step 1 base figure is based on the best information available.

STEP TWO: Adjusting the Base Figure

In accordance with prescribed narrow tailoring provisions set forth under 49 CFR Part 26.45 Step 2; DBE Goal Adjustment guidelines, the DBE regulations direct that all available evidence must be examined to determine if an adjustment to the base figure is needed before arriving at the final overall DBE goal. ALDOT considered an adjustment to the 7.25% Step 1 Base Figure, by analyzing our historical past DBE goal attainment for FFYs 2016 through 2020. The steps we used to determine the median past participation percentage are:

- (1) Arrange the past participation values in order from low to high
- (2) Take the middle percentage to obtain the median past participation percentage.
- (3) Add the *Step 1* base figure and the median past participation and divide by 2.
- (4) The end result is the adjusted base figure.

Table 3a – Past Participation

FFY	Goal	Committed/Awarded
2020	8.62%	8.80%
2019	8.62%	10.45%
2018	12.72%	11.1%
2017	12.72%	9.68%
2016	12.72%	10.05%

Table 3b – Median Past Participation

FFY	Low to High
2020	8.80%
2017	9.68%
2016	10.05%
2019	10.45%
2018	11.01%

The median past participation was FFY 2016 at 10.05%, as indicated in Table 3b above.

Step 1 Base Figure with Median Past Participation

When adding the Step 1 Base Figure of 7.25% and the Median Past Participation Figure of 10.05% and dividing by two the adjusted Step 1 base figure is 8.65%.

$$(7.25\% + 10.05\% = 17.3\% / 2 = 8.65\%)$$

Consideration from a Disparity Study

ALDOT did not complete a disparity study. ALDOT searched other equivalent state DOTs to determine if they conducted disparity study for consideration to adjusting ALDOT’s step 1 base figure. ALDOT did not find another state DOT with a current disparity study for consideration.

Adjusting the Base Figure Result

Based on the Step 2 considerations for adjusting the 7.25% DBE base figure, ALDOT defined that the 8.65% past participation calculation warranted adjusting the DBE base figure.

Proposed Overall DBE Goal

ALDOT’s proposed overall triennial DBE goal for FFYs 2022-2024 is **8.65%**.

Considerations for Race/Gender-Neutral & Race/Gender-Conscious Splits

The race/gender-neutral and race/gender-conscious division of the overall goal is a vital component of the DBE goal setting process. ALDOT intends to meet the maximum feasible portion of the overall goal by using a combination of race/gender-neutral and race/gender-conscious DBE participation. ALDOT utilized five years of data for Race/Gender-Neutral participation on projects that were 100% race/gender-neutral state and local projects. As pointed out in the tips for goal setting, state and local projects are an excellent source of information for an agency to consider regarding how much DBE participation it may obtain through race/gender-neutral participation. Following is the basis of ALDOT’s projections of the level of achievement of race/gender-neutral and race/gender-conscious participation and the supporting data.

The race/gender-neutral state and local projects median past participation for fiscal years 2016-2020 was determined to be 3.35%, as indicated in Table 4b below.

Table 4a: DBE participation race/gender-neutral state/local projects

Goal FY	DBE Participation
2020	2.20%
2019	2.00%
2018	3.13%
2017	1.98%
2016	3.79%

Table 4b: Low to High

Goal FY	DBE Participation
2017	1.98%
2019	2.00%
2020	2.20%
2018	3.13%
2016	3.79%

Median DBE Race/Gender-Neutral participation is 2.20%.

DBE Race/Gender-Neutral & Race/Gender-Conscious Split

Adjusted Goal:	8.65%
Race/Gender-Neutral Goal:	2.20%
Race/Gender-Conscious Goal:	6.45%

Race and Gender-Neutral and Conscious Measures

The following race/gender-neutral means have been instituted and continue to be utilized by ALDOT to increase opportunities for DBEs:

The Alabama Department of Transportation Civil Rights department will continue to proactively attend events and conduct conferences throughout the state of Alabama to promote the recruitment of qualified minority owned businesses that can perform work on ALDOT's highway construction projects. The goal of the outreach is to not only increase program awareness for current ALDOT certified DBE firms working on ALDOT federally funded projects, but increase the number of willing, able, capable, small and disadvantaged minority firms that qualify to become certified and participate in the Alabama Department of Transportation DBE Program.

ALDOT Small Business Element Program

The Small Business Element (SBE) Program, as a component to the DBE Program, has provided contract opportunities for participating firms, including minority-owned, women-owned and DBE businesses. Accordingly, firms enrolled since its inception in 2012 have been awarded contracts totaling over \$14 million dollars. The SBE Program has increased access to opportunities that have led to increased capacity for all firms participating in the program.

ALDOT DBE Supportive Services Program

The Alabama Department of Transportation DBE Supportive Services Program is broken into three demographic regions throughout the state. ALDOT has entered into contractual agreements with Alabama A&M University (HBCU), the University of West Alabama, and EEO Networking Solutions. The agreements ensure that the providers will allow for technical and management assistance, in conjunction with workshops and classroom training, to certified DBEs and potential DBE certified firms. This assistance is designed to enhance the DBE's skills and knowledge in the transportation and highway construction industry and aid them in becoming viable independent contractors. The current market breakdown by supportive service provider is as follows: Alabama A&M University represents 64 ALDOT certified DBE firms, the University of West Alabama represents 74 ALDOT certified DBE firms, and EEO Networking Solutions represents 152 ALDOT certified DBE firms for a total of 290 DBE firms.

ALDOT Business Development Programs

ALDOT has incorporated two Business Development programs, each fulfilling a different need within the program. Within the first, ALDOT's Business Development program focuses on a managed program assisting DBE firms that seek additional skills to increase their firm's participation in ALDOT's federally funded projects. Secondly, The University of Alabama in Huntsville manages ALDOT's Mentor Protégé program and is in its eleventh year of operation. The Mentor Protégé program works with ALDOT certified DBEs that are higher performing and demonstrate the potential for growth and eventually leaving the program.

EEO Networking Solutions DBE Management Systems

EEO Networking Solutions (ENS) assists the Alabama Department of Transportation in several areas of its DBE program. ENS DBE Management System provides a standardized and measurable information system allowing the Alabama Department of Transportation and its Supportive Service providers to maximize DBE utilization on all projects. Some of the functionality includes:

- DBE profiles with training attendance and annual assessment forms
- Mapping DBE's by DBE Supportive Services markets
- Monthly letting opportunity reports by work type provided to ALDOT DBE's
- Search and view DBE market by DBE certified work types
- Search and view work opportunities by project work types or location
- Data is synced with Alabama UCP DBE directory
- Searchable listing of DBE's with work types in Highway Construction and Non-Highway Construction

Public Participation and Consultation

In accordance with the public participation regulatory requirement of 49 CFR 26.45(g), minority, women, local business associations, public stakeholders, and community organizations within the market area were consulted and provided an opportunity to provide comments on the proposed DBE goal and methodology and triennial goal analysis. ALDOT's Supportive Service providers gave data and feedback for ALDOT's DBE goal methodology. ALDOT held several consultation meetings to fully explain ALDOT's DBE goal methodology. Beginning in October of 2020, ALDOT's DBE manager discussed ALDOT's DBE Goal methodology during workshops and training classes. Several questions asked pertained to why ALDOT chose weighting as the preferred methodology. ALDOT representatives explained that weighting provided the most accurate representation of willing, able, capable DBE firms that were participating in ALDOT's Federally funded construction projects. All community feedback and input was welcomed. The Alabama Roadbuilders Association, Alabama General Contractors Association, Alabama Disadvantaged Business Enterprise Association, and Department of Economic and Community Affairs were consulted for input and review of ALDOT's proposed FHWA Triennial DBE Overall Goal Setting Methodology. ALDOT welcomes and continues to review feedback from all stakeholders.

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