

Disadvantaged Business Enterprise (DBE) Goal Setting Methodology: Overview

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Outline

- Introduction and General Instructions
- Step One Calculation
- Step Two Calculation and Adjustment
- Calculating the Overall Goal
- Race-Neutral or Race-Conscious

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Intro and General Instructions

- Introduction
 - Tips for Goal setting – See document on the disk or hard copy
 - This is not the only way to calculate a goal
 - Method approved by NMDOT General Counsel
- General Information
 - Show your work
 - Explain your thought process
 - Clearly describe public participation process

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Step One Calculation

Purpose and Objectives

- Come up with a measurement of the actual relative availability of DBEs to perform the types of contracts that you intend to let.
- Determine what percentage of DBEs represent all firms ready, willing, and able to compete for DOT-assisted contracting.

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Step One Calculation, cont'd

Calculation:

Divide the number of **DBEs ready, willing and able** to bid on contracts by the number of **all firms (DBEs and non-DBEs) ready willing and able to bid on contracts.**

$$\text{Step One Base Figure} = \frac{\text{Ready, willing, and able DBEs}}{\text{All firms ready, willing, and able (including DBEs and non-DBEs)}}$$

Example:

$$\frac{\begin{array}{l} 44 \text{ DBEs in heavy construction} \\ + 14 \text{ DBEs in trucking} \end{array}}{\begin{array}{l} 300 \text{ firms in heavy construction} \\ + 150 \text{ firms in trucking} \end{array}} = \frac{58}{450} = 12.8\%$$

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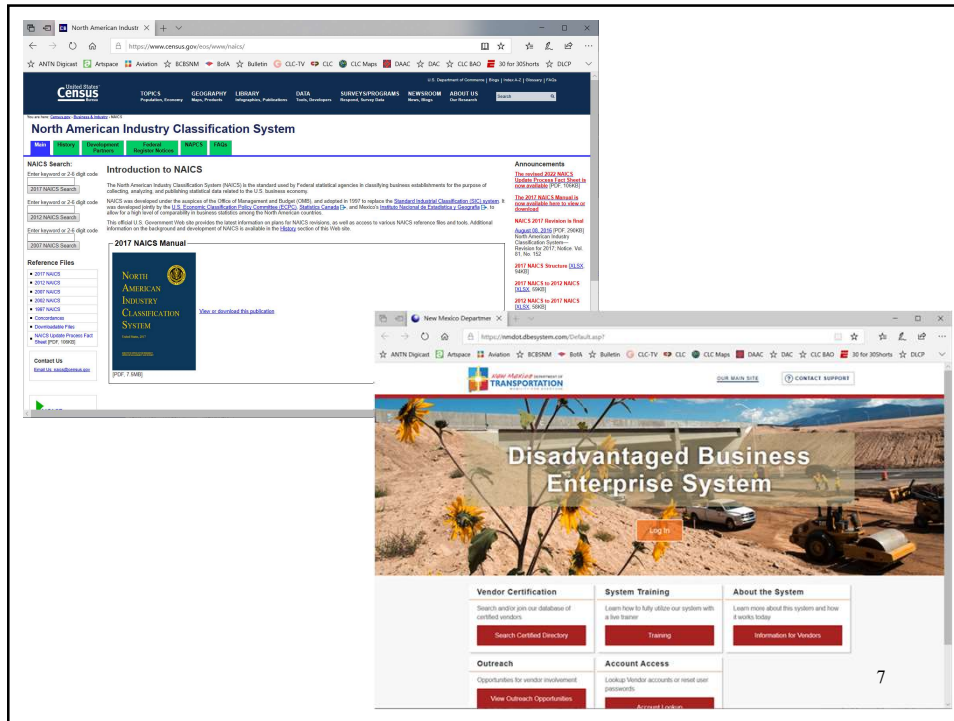
Step One Calculation, cont'd

Data Sources used for calculation

- No past participation in Step One goal calculation
- Use most refined data
 - NAICS codes
 - Bidders list
 - Census data
 - DBE directory
 - Disparity studies
 - Combination of any of these sources

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Step One Calculation, cont'd

- Define Local Market Area
 - Local Market is the area in which a substantial majority of the contractors and subcontractors with which you do business are located and the area in which you spend the majority of your contracting dollars.
 - Explain how you determined the boundaries of your local market area.
 - “Apples to Apples” calculation ensure that the same data is used in the numerator and denominator.

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Step One Calculation, cont'd

- Use weighting whenever possible

a.
$$\left[.9 \left(\frac{\# \text{ heavy construction DBEs}}{\# \text{ heavy construction firms}} \right) + .1 \left(\frac{\# \text{ trucking DBEs}}{\# \text{ all trucking firms}} \right) \right] \times 100 = \text{Step One Base Figure, weighted by type of work to be performed}$$

b.
$$\left[.9 \left(\frac{44 \text{ heavy construction DBEs}}{300 \text{ heavy construction firms}} \right) + .1 \left(\frac{14 \text{ trucking DBEs}}{150 \text{ trucking firms}} \right) \right] \times 100 = \left[.9 \left(\frac{44}{300} \right) + .1 \left(\frac{14}{150} \right) \right] \times 100 =$$

$$\left[.9(.1467) + .1(.0933) \right] \times 100 = \left[.1320 + .0933 \right] \times 100 = 14.13$$

- De-certification should be addressed in Step One
- No adjustments based solely on changes in the amount of federal assistance
- Reminder: This is just one method to find and calculate relative availability of DBEs.

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Step Two Calculation

Purpose

- To adjust step one base figure to make it as precise as possible
- Consider all evidence available in your jurisdiction to determine whether an adjustment is necessary.

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Step Two Calculation, cont'd

- Factors to consider in Step Two adjustment (if relevant and reliable data is available)
 - Past participation
 - Disparity studies
 - Statistical disparities in the ability of DBEs to get financing, bonding and insurance.
 - Data on employment, education, and training
 - Data that may help better measure the percent of work that DBEs would be likely to obtain in the absence of discrimination.
- Adjustments not mandatory. Data must show an adjustment is justified.

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Step Two Calculation, cont'd

- How to calculate the adjustment based on past participation
 - Determine **Median** past participation
 - Median is the middle number in any group of numbers
 - With even numbers average the two middle numbers
- Example: Last four years of past participation are

1998	18%
1999	15%
2000	12%
2001	11%

Arrange the values from low to high

11%
12%
15%
18%

Then take the average of the two middle numbers

$$12\% + 15\% = 27\%$$

$$27\% \text{ divided by } 2 = \mathbf{13.5\%}$$

13.5% is the median of past participation

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Step Two Calculation, cont'd

- Other data sources to adjust base figure
 - Disparity Study
 - Not required
 - If older than five years, it is not considered an accurate source
 - State in your submission whether a disparity study was or was not conducted in your area
 - State in your submission whether you used a disparity study to make an adjustment and describe why.
 - If you did not use a disparity study to make the step two adjustment describe why.

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Calculating the Overall Goal

- Take the Step One base figure and average it with the Step Two adjustment figure to calculate the overall goal.
- Example:

$$\begin{array}{r}
 \text{Step One Base Figure} + \text{Median past participation \%} / 2 \\
 9\% \quad + \quad 13.5\% \quad / 2 \\
 22.5\% / 2 = \\
 \mathbf{11.25\%}
 \end{array}$$

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Race-Neutral or Race-Conscious

- Explain why you projected that you could achieve the level of race-neutral, race-conscious participation you propose and the specific reasoning and data that support your conclusion
- Factors to consider in projecting the portion of your overall goal that you will be able to meet through race-neutral and race-conscious means.
 - Amount you exceeded your goal in the past
 - Consider past participation by DBE Subcontractors on contracts without contract goals.
 - Consider DBE participation pursuant to race-neutral state or local programs
 - Consider concrete plans to implement new race-neutral methods.
 - Consider past history of inability to achieve goals
 - Avoid double-counting
 - Monitor DBE participation to determine whether you need to adjust your use of race-conscious measures.

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Thank You!!!

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