



Deputy Directors
RANDY GRUNE
AUDREY HIDANO
ROSS M. HIGASHI
JADINE URASAKI

STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION
AIRPORTS DIVISION
400 RODGERS BOULEVARD, SUITE 700
HONOLULU, HAWAII 96819-1880

IN REPLY REFER TO:

AIR-LD
14.0279

October 3, 2014

Mr. Michael Freilich
Director, Civil Rights
Western Pacific Region & DBE Compliance
Federal Aviation Administration, Office of Civil Rights
15000 Aviation Boulevard
Lawndale, California 90261

Dear Mr. Freilich:

Subject: Large and Medium Hub Airports - Disadvantaged Business Enterprise (DBE)
Overall Goal and Methodology for Federal Fiscal Years (FFY) 2015-2016

In accordance with the requirements of 49 C.F.R. §26.45, the Hawaii Department of Transportation is submitting a two-year overall DBE goal and methodology for FAA-assisted contracting covering FFY 2015-2016. Because the goal methodology for FFY 2014-2016 was submitted prior to the waiver being granted, we are submitting a revised DBE Goal Methodology for FFY 2015-2016 only. Enclosed are our two-year overall DBE goal and methodology covering the following large and medium hub primary airports:

1. Honolulu International Airport
2. Kahului Airport

If you have any questions regarding the overall DBE goal or description of the methodology used to establish the FFY 2015-2016 goals, please contact Ms. Terri L. Brewer, Civil Rights Specialist, at (808) 838-8703 or email: terri.l.brewer@hawaii.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Ross M. Higashi".

ROSS M. HIGASHI
Deputy Director - Airports

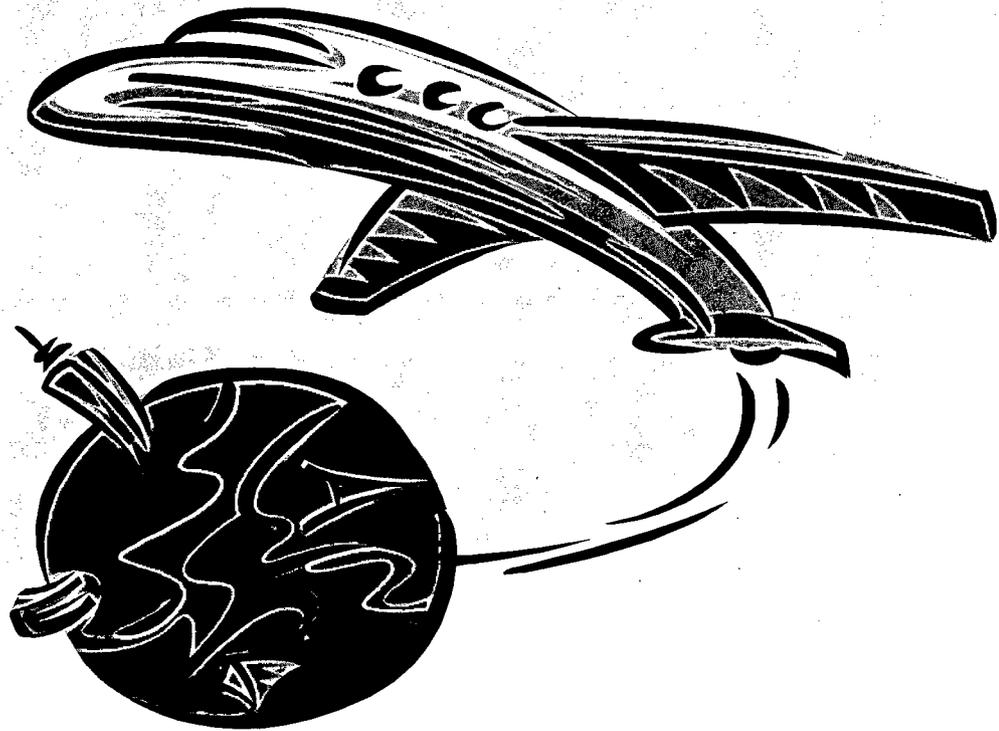
Enclosure

bc: OCR-D w/enclosure
AIR-E, AIR-G, AIR-M, AIR-L w/enclosures

State of Hawaii DOT – Airports Division

DBE GOAL METHODOLOGY

FAA-Assisted Contracting



Large and Medium Hub Primary Airports
Honolulu International Airport, Kahului Airport

FFY 2015 - 2016

**STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION**

**DBE GOALS AND METHODOLOGY
LARGE & MEDIUM HUB PRIMARY AIRPORTS – HONOLULU INTERNATIONAL
AIRPORT AND KAHULUI AIRPORT**

Federal Fiscal Years 2015 - 2016

In compliance with 49 CFR 26.45, the State of Hawaii, Department of Transportation has developed a goal methodology and three year overall goals for each of our Large and Medium Hub Airports, namely Honolulu International Airport and Kahului Airport.

On November 4, 2011, the Hawaii Department of Transportation (HDOT) requested a waiver of the requirement in 49 CFR §26.51(e)(4) that states “Your contract goals must provide for participation by all certified DBEs and must not be subdivided into group specific goals.” HDOT conducted a disparity study to meet the requirements of *Western States Paving vs. Washington State Department of Transportation* and 49 CFR §26.45¹. The disparity study, *The State of Minority- and Women-Owned Business Enterprise: Evidence from Hawai’i*, was completed in October 2010 by NERA Economic Consulting. The study found that only certain racial and ethnic groups, as well as women-owned firms experienced disparities during HDOT’s implementation of a fully race neutral program. Therefore, based on these results, HDOT requested a waiver to include only these underutilized racial or ethnic groups and women-owned firms for credit towards meeting DBE contract goals.

On July 28, 2014, the Federal Aviation Administration (FAA) approved the waiver request which allows Hawaii State Airports to utilize race-conscious goals for specific groups identified in the disparity study. Since the next goals and methodology for Large and Medium Hubs are not due until 2016 for the FFY 2017-2019, this report will reflect FFY 2015 and 2016 only. Below is our proposed goals and methodology:

I. FFY 2015 – FFY 2016 DBE Goal

- A. The overall DBE goals, based on the federal financial assistance to be awarded in FFY 2015 – FFY 2016, is as follows:

Honolulu International Airport	<u>22%</u>
Kahului Airport	<u>23%</u>

- B. Given the amount of estimated FAA funds the Airports Division expects to award on FAA-assisted contracts during these two (2) fiscal years, we have set a goal of awarding the dollar amounts listed below to DBEs.

<u>Airport</u>	<u>FAA Funds</u>	<u>DBE</u>
Honolulu International Airport	\$ 7,353,193	\$ 1,617,702
Kahului Airport	\$ 853,750	\$ 196,363

¹407F.3d983 (9thCir.2005)

II. Public Participation Efforts

- A. HDOT will conduct an informational meeting on our proposed goal and methodology in the near future. Various contractors, consultants, community organizations, minority groups and all certified DBEs in the State of Hawaii will be invited to attend and provide comments.
- B. Because this report is a revised DBE Goal and Methodology report, there are no available funds in the budget for publishing in the local newspapers. Therefore, the Airports Division's proposed overall goal will be published online. The notice will state that the proposed goal and its rationale would be available for inspection at HDOT during normal business hours for 30 days following the date of the notice. HDOT will request that comments on the goals be directed to their office and would be accepted for 45 days from the date of the notice. The notice will be published in the HDOT website.

III. Methodology for Establishing the Overall DBE Goal

The overall goal is based on demonstrable evidence of the availability of ready, willing and able local DBEs relative to all businesses ready, willing and able to participate on FAA-assisted contracts in the State of Hawaii. The goal is reflective of the level of DBE participation, absent the effects of discrimination.

A. Step 1: Determining a Base Figure for the Overall Goal

The base figure of 56.23% is derived from the Disparity Study completed by NERA Economic consulting in October 2010.

B. Step 2: Adjusting the Base Figure

The following factors, based on the available evidence to the Airports Division and the State of Hawaii, were used to adjust the above base figure.

- 1. Previous DBE Accomplishments. The Airports Division previous DBE accomplishments for the past five (5) years for each of our Large and Medium hub airports were as follows:

<u>FFY</u>	<u>Honolulu</u>	<u>Kahului</u>
2013	0.02%	0%*
2012	0%*	0%*
2011	1.42%	0%*
2010	0%*	2.1%
2009	23.1%	0%*

* No projects were awarded during this FFY

The above accomplishment figures were used to determine our median past participation figure. In determining the median, we did not include fiscal years where no projects were awarded. Therefore, of the previous percentages available, the median past participation figure for each of the airports is as follows:

Honolulu International Airport	1.42%
Kahului Airport	2.1%

2. Another factor in adjusting the base figure was derived by utilizing *DBE Directories and Census Bureau Data*, one of the methods suggested in 49 CFR Part 26. The number of DBEs in the State of Hawaii DBE Directory was categorized into general NAICS codes and used as the numerator. The denominator was derived from the 2012 Census Bureau's County Business Pattern (CBP) database, which is the latest census information available, to date for Hawaii. *See attachment 1.*

a) Honolulu International Airport

For Honolulu International Airport, the Airports Division estimated that 3% of federal aid funds will be expended in NAICS code 423 (Merchant Wholesalers, Durable Goods); 2% in NAICS codes 541 (541-Professional, Scientific & Technical Services); 12% in NAICS code 335 (Electrical Equipment, Appliance, and Component Manufacturing); 83% in NAICS 236/238 (236-Construction of Building, 238-Specialty Trade Contractors). This provided us with a figure of **9.7%**. *See attachment 2.*

b) Kahului Airport

For Kahului Airport, the Airports Division estimated that 2% of federal aid funds will be expended in NAICS code 423 (Merchant Wholesalers, Durable Goods); 2% in NAICS codes 541 (541-Professional, Scientific & Technical Services); 23% in NAICS code 335 (Electrical Equipment, Appliance, and Component Manufacturing); 72% in NAICS code 236/238 (236-Construction of Building, 238-Specialty Trade Contractors). This provided us with a figure of **12.6%**. *See attachment 3.*

C. Analysis

All of the factors identified above are summarized below:

	<u>Honolulu</u>	<u>Kahului</u>
Disparity Study (Base Figure)	56.23%	56.23%
Median Past Participation Level	1.42%	2.1%
DBE Directory & Census Data	9.7%	12.6%

The Airports Division has considered all of these factors and formulated that the average of the factors above, provides us with a realistic and logical method of establishing our overall DBE goal. The average of these three numerical indicators equates to:

Honolulu International Airport	22%	$[(56.23 + 1.42 + 9.7) / 3]$
Kahului Airport	23%	$[(56.23 + 2.1 + 12.6) / 3]$

IV. Breakout of Estimated Race-Neutral and Race-Conscious Participation

- A. Of these overall DBE Goal percentages, the Airports Division is proposing to meet the goals through race conscious and race neutral means as follows:

	<u>Goal</u>	<u>Race Conscious</u>	<u>Race Neutral</u>
Honolulu Int'l Airport	22%	11%	10%
Kahului Airport	23%	12%	11%

The race neutral percentages are normally representative of the median figure of the difference, by which we exceeded our previous goals in the last five (5) years. If this calculation were to be used, the Airports Division's race conscious percentages would be the same as the overall goals; and the race neutral percentage would be zero.

The Airport Division has implemented a fully race-neutral program since Federal Fiscal Year 2004. As such, the past participation of certified DBEs was attained mainly through dollars paid to DBEs as prime firms. With the recent approval of the waiver, only groups found in the study to have large and substantively significant disparities will be credited towards the race-conscious portions of the overall goal. This group shall be called UDBEs or Underutilized DBEs. Basically, a UDBE is a firm that meets the definition of a DBE and is a member of one of the following groups: Hispanic Americans, Native Americans (including Native Hawaiians), African Americans and Women.

DBEs, other than UDBEs shall be credited on FAA projects with race-conscience goals, but will not be counted towards a specified contract goal. Participation by such firms shall be counted as race-neutral, and will be applied towards the Airport's overall DBE goal. Therefore, we respectfully request that our Race Conscious / Race Neutral breakdown be approved.

- B. The Airports Division will also utilize the following race-neutral means to meet our overall DBE goal:

1. Arranging solicitations, times for the presentations of bids, quantities, specifications, and delivery schedules in ways that facilitate DBE, and other small businesses, participation (e.g., unbundling large contracts to make them more accessible to small businesses, requiring or encouraging prime contractors to subcontract portions of work that they might otherwise perform with their own forces);

2. Providing assistance in overcoming limitations such as inability to obtain bonding or financing (e.g., by such means as simplifying the bonding process, reducing bonding requirements, eliminating the impact of surety costs from bids, and providing services to help DBEs, and other small businesses, obtain bonding and financing);
3. Providing technical assistance and other services;
4. Carrying out information and communications programs on contracting procedures and specific contract opportunities (e.g., ensuring the inclusion of DBEs, and other small businesses, on recipient mailing lists for bidders; ensuring the dissemination to bidders on prime contracts of lists of potential subcontractors);
5. Providing services to help DBEs, and other small business, improve long-term development, increase opportunities to participate in a variety of long-term development, increase opportunities to participate in a variety of kinds of work, handle increasingly significant projects, and achieve eventual self-sufficiency; and
6. Ensuring distribution of the State of Hawaii DBE directory, through print and electronic means, to the widest feasible universe of potential prime contractors.

C. We will adjust the estimated breakout of race-neutral and race-conscious DBE participation as needed to reflect actual DBE participation (see 26.52(f)) and we will track and report race-neutral and race-conscious participation separately.

For reporting purposes, race-neutral DBE participation includes, but is not necessarily limited to, the following:

1. DBE participation through a prime contract that a DBE obtains through customary competitive procurement procedures;
2. DBE participation through a subcontract on a prime contract that does not carry a DBE goal;
3. DBE participation on a prime contract exceeding a contract goal and DBE participation through a subcontract from a prime contractor that did not consider a firm's DBE status in making the award.

NAICS CODE

- 236- **Construction of Building**
DBE Directory: 56
CBP: 818

- 237- **Heavy and Civil Engineering Construction**
DBE Directory: 45
CBP: 130

- 238- **Specialty Trade Contractors**
DBE Directory: 110
CBP: 1687

- 335- **Electrical Equipment, Appliance, and Component Manufacturing**
DBE Directory: 7
CBP: 21

- 339- **Miscellaneous Manufacturing**
DBE Directory: 5
CBP: 117

- 423- **Merchant Wholesalers, Durable Goods**
DBE Directory: 36
CBP: 812

- 541- **Professional, Scientific, and Technical Services**
DBE Directory: 214
CBP: 3253

- 561- **Administrative and Support Services**
DBE Directory: 41
CBP: 1677

