

**STATE OF HAWAII  
DEPARTMENT OF TRANSPORTATION**

**DBE GOALS AND METHODOLOGY  
SMALL HUB PRIMARY AIRPORTS - KONA INTERNATIONAL AIRPORT AT  
KEAHOLE, HILO INTERNATIONAL AIRPORT AND LIHUE AIRPORT**

**Federal Fiscal Years 2015 - 2017**

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 Small Hub Primary Airports, namely Kona International Airport at Keahole, Hilo International Airport and Lihue 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 §26.45<sup>1</sup>. 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. Below is our proposed goals and methodology:

I. FFY 2015 – FFY 2017 DBE Goal

- A. The overall DBE goals, based on the federal financial assistance to be awarded in FFY 2015 – FFY 2017, is as follows:

Kona International Airport at Keahole	<u>21%</u>
Hilo International Airport	<u>21%</u>
Lihue Airport	<u>29%</u>

- B. Given the amount of estimated FAA funds the Airports Division expects to award on FAA-assisted contracts during these three (3) fiscal years, we have set a goal of awarding the dollar amounts listed below to DBEs.

<sup>1</sup>407F.3d983 (9thCir.2005)

<u>Airport</u>	<u>FAA Funds</u>	<u>DBE</u>
Kona International Airport at Keahole	\$ 7,809,000	\$ 1,639,890
Hilo International Airport	\$ 1,532,499	\$ 321,825
Lihue Airport	\$ 3,809,500	\$ 1,104,755

## 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. The Airports Division's proposed overall goal will be published in local newspapers. 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 following publications:
1. Honolulu Advertiser
  2. West Hawaii Today
  3. The Garden Isle
  4. Maui News
  5. Hawaii Tribune Herald

## 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 six (6) years for each of our small primary hub airports were as follows:

<u>FFY</u>	<u>Kona</u>	<u>Hilo</u>	<u>Lihue</u>
2013	0%*	0%*	0%*
2012	3.67%	.57%	50.43%
2011	3.16%	.37%	0%
2010	0%	0%*	40.40%
2009	0%	.10%	0%*
2008	.30%	1.60%	5.20%

\* 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:

Kona International Airport	.30%
Hilo International Airport	.47% $(.57 + .37) / 2$
Lihue Airport	22.80% $(40.4 + 5.2) / 2$

(Note: when the median figure fell between two figures, an average of the two remaining numbers was used.)

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) Kona International Airport

For Kona International Airport, the Airports Division estimated that 2% of federal aid funds will be expended in NAICS code 423 (Merchant Wholesalers, Durable Goods); 3% in NAICS codes 541/561 (541-Professional, Scientific & Technical Services/561-Administrative & Support Services); 73% in NAICS code 236 (Construction of Building); 22% in NAICS codes 237/238 (237-Heavy and Civil Engineering Construction/238-Specialty Trade Contractors). This provided us with a figure of **7.0%**. *See attachment 2.*

b) Hilo International Airport

For Hilo International Airport, the Airports Division estimated that 2% of federal aid funds will be expended in NAICS code 423 (Merchant Wholesalers, Durable Goods); 3% in NAICS codes 541/561 (541-Professional, Scientific & Technical Services/561-Administrative & Support Services); 58% in NAICS code 236 (Construction of Building); 37% in NAICS codes 237/238 (237-Heavy and Civil Engineering Construction/238-Specialty Trade Contractors). This provided us with a figure of **7.3%**. See attachment 3.

c) Lihue Airport

For Lihue 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 code 335 (Electrical Equipment, Appliance, and Component Manufacturing); 2% in NAICS codes 541/561 (541-Professional, Scientific & Technical Services/561-Administrative & Support Services); 23% in NAICS code 236 (Construction of Buildings); 71% in NAICS code 237/238 (237-Heavy and Civil Engineering Construction/238-Specialty Trade Contractors). This provided us with a figure of **8.5%**. See attachment 4.

C. Analysis

All of the factors identified above are summarized below:

	<u>Kona</u>	<u>Hilo</u>	<u>Lihue</u>
Disparity Study (Base Figure)	56.23%	56.23%	56.23%
Median Past Participation Level	.30%	.47%	22.28%
DBE Directory & Census Data	7.00%	7.30%	8.50%

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:

Kona International Airport	21%	$[(56.23 + .30 + 7.0) / 3]$
Hilo International Airport	21%	$[(56.23 + .47 + 7.3) / 3]$
Lihue Airport	29%	$[(56.23 + 22.8 + 8.5) / 3]$

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>
Kona International Airport	21%	11%	10%
Hilo International Airport	21%	11%	10%
Lihue Airport	29%	15%	14%

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.