

**STATE OF HAWAII
DEPARTMENT OF TRANSPORTATION**

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

Federal Fiscal Years 2017 - 2019

In compliance with Title 49, Code of Federal Regulations (CFR 26.45), the State of Hawaii, Department of Transportation (HDOT) 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, 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.” The waiver was a result of a disparity study which was commissioned by HDOT to meet the requirements of *Western States Paving vs. Washington State Department of Transportation* and 49 CFR §26.45¹. The study, *The State of Minority- and Women-Owned Business Enterprise: Evidence from Hawai’i*, was completed in October 2010 by NERA Economic Consulting. The purpose of the study was to determine if race or gender conscious contracting remedies were necessary to address the effects of discrimination in HDOT’s contracting marketplace. The study found that there were statistically significant disparities between the utilization of businesses owned by certain ethnic groups (i.e. Hispanic American, Native American, and African American), and women in HDOT’s relevant market, and the availability of such businesses in the State of Hawaii. Therefore, based on these results, HDOT requested a waiver to allow goal credit for ethnic groups and women towards meeting DBE contract goals.

On July 28, 2014, the Federal Aviation Administration (FAA) approved the waiver request which allows HDOT’s Airports Division to utilize race-conscious goals for specific groups identified in the disparity study. Below is the Airport’s Division’s proposed goals and methodology:

I. FFY 2017 – FFY 2019 DBE Goal

- A. The overall DBE goals, based on the federal financial assistance to be awarded in FFY 2017 – FFY 2019, are as follows:

Honolulu International Airport	<u>24%</u>
Kahului Airport	<u>22%</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.

<u>Airport</u>	<u>FAA Funds</u>	<u>DBE</u>
Honolulu International Airport	\$ 58,719,750	\$ 14,092,740
Kahului Airport	\$ 16,425,000	\$ 3,613,500

II. Public Participation Efforts

- A. HDOT conducts an informational meeting on our proposed goal and methodology. Various contractors, consultants, community organizations, minority groups and all certified DBEs in the State of Hawaii are invited to attend and provide comments.
- B. 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's 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>
2015	2.19%	0%+
2014	4.19%*	0%+
2013	0.02%	0%*
2012	0%*	0%*
2011	1.42%	0%*

* No projects were awarded during this FFY

+ Information was not available

The above accomplishment figures were used to determine the 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	0%

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 2014 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 15% of federal aid funds will be expended in NAICS code 237 (Heavy and Civil Engineering Construction); 70% in NAICS code 238 (Specialty Trade Goods); 5% in NAICS code 423 (Merchant Wholesalers, Durable Goods); 10% in NAICS code 541 (Professional, Scientific, and Technical services). This provided us with a figure of **15.6%**. *See attachment 2.*

b) Kahului Airport

For Kahului Airport, the Airports Division estimated that 15% of federal aid funds will be expended in NAICS code 423 (Merchant Wholesalers, Durable Goods); 85% in NAICS code 541 (Professional, Scientific & Technical Services). This provided us with a figure of **8.9%**. *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	0.02%	0.00%
DBE Directory & Census Data	15.6%	8.9%

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	24%	$[(56.23 + 1.42 + 15.6) / 3]$
Kahului Airport	22%	$[(56.23 + 0.00 + 8.9) / 3]$

IV. Breakout of Estimated Race Conscious and Race Neutral 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	24%	20.05%	4.19%
Kahului Airport	22%	11%	11%

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. Only underutilized DBE's (UDBE's) i.e. DBE's owned by Hispanic American, Native American, African American and women, will be credited towards the race conscious portions of the overall goal.

DBEs, other than UDBEs shall be credited on FAA projects with race-conscious 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 Division's overall DBE goal.

For Honolulu International Airport, the estimate of race conscious/race neutral participation shall be 20.05% and 4.19% respectively. Airports Division reviewed the DBE participation accomplishments for the past five years and used the highest race neutral percentage (4.19% in FFY 2014) for its race neutral portion of the goal, as it is anticipated that HDOT will be able to match this level

of participation in the next three years. The remaining balance of the goal, 20.05%, shall be used for the race conscious portion of the goal.

For Kahului Airport, the overall goal of 22% was broken down to reflect a race conscious goal of 11% and race neutral goal of 11%. The Airports Division has determined that there is insufficient data to make a reasonable estimate of the race conscious/race neutral DBE participation. Therefore, the 50/50 split of the overall goal for Kahului shall be utilized until such time that sufficient data can be collected to determine the breakdown of race conscious and race neutral participation.

- 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 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 have a DBE goal; and
3. DBE participation on a prime contract exceeding a contract goal.

NAICS Codes

237 - Heavy and Civil Engineering Construction

DBE Hawaii Directory: 73

CBP: 141

238 - Specialty Trade Contractors

DBE Hawaii Directory: 164

CBP: 1708

423 - Merchant Wholesalers, Durable Goods

DBE Hawaii Directory: 37

CBP: 1674

541 - Professional, Scientific, and Technical Services

DBE Hawaii Directory: 333

CBP: 3287

