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HAWAII DEPARTMENT OF TRANSPORTATION 2019 AVAILABILITY STUDY Draft Executive Summary



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**Draft Executive Summary
June 2019**

EXECUTIVE SUMMARY.

2019 HDOT Availability Study

Keen Independent Research LLC

The Hawaii Department of Transportation (HDOT) operates the Federal Disadvantaged Business Enterprise (DBE) Program to assist DBEs on contracts that use U.S. Department of Transportation (USDOT) funds. HDOT must set overall annual goals for participation of DBEs in those contracts.

An overall DBE goal expresses the percentage of contract dollars HDOT might expect to go to DBEs if there were a level playing field for those companies when competing for that work. HDOT sets unique goals for contracts funded by the:

- Federal Highway Administration (FHWA);
- Federal Transit Administration (FTA); and
- Federal Aviation Administration (FAA), by individual airport.

Regulations in 49 CFR Part 26 and other USDOT guidance direct how an agency sets an overall DBE goal.¹ The process includes two steps: (1) developing a “base figure,” and (2) considering “step 2” adjustments. HDOT must also project the portion of each overall goal that it will meet through race-neutral means and any remaining portion to be met through DBE contract goals.

Keen Independent Research (Keen Independent) is performing the 2019 Availability and Disparity Study for HDOT. The full report will be completed in late 2019. However, HDOT must submit a new three-year overall DBE goal for its FHWA-funded contracts to start on October 1, 2019. By October 1, HDOT must also have new overall DBE goals for its FAA-funded contracts for Daniel K. Inouye International Airport (Honolulu International Airport) and Kahului Airport.

This Availability Study report provides information for HDOT to prepare those new overall DBE goals — one for FHWA and two for FAA — prior to October 2019.² The goals can then be revised if needed based on the full Availability and Disparity Study report.

The full Availability and Disparity Study report will present additional information regarding:

- Overall DBE goals for contracts funded by the FTA, FAA-funded contracts at other airports, and airport concessions (regarding the Airport Concessions DBE Program);
- Comparison of the utilization and availability of minority- and women-owned firms for HDOT’s transportation contracts and airport concessions; and
- Recommendations for any changes to how HDOT operates the Federal DBE Program.

¹ Most DBEs are minority- or women-owned firms. If a white male-owned firm demonstrates both social and economic disadvantage and meets other federal certification requirements, it can also be DBE. See 49 CFR Part 26.67 (d).

² HDOT must have new ACDBE goals by October 2019 for airports on Lanai and Molokai. Proposed goals are 0 percent.

Background

For FHWA-funded contracts and those FAA-funded contracts at Honolulu International Airport and Kahului Airport, HDOT's current overall DBE goals are:

- 29.05 percent for FHWA-funded contracts statewide;
- 24.40 percent for FAA-funded contracts at Honolulu International Airport; and
- 21.70 percent for FAA-funded contracts at Kahului Airport.

HDOT uses DBE contract goals and race-neutral measures to try to reach those overall DBE goals. As discussed in the Availability Study report, actual DBE participation has been below the goals.

Availability Analysis and Results

To conduct the availability analyses in this study, Keen Independent:

- Compiled data on thousands of HDOT's past USDOT-funded contracts and subcontracts awarded from July 2011 through June 2016.
- Determined that Hawaii was the relevant geographic market area for HDOT transportation contracts. (Firms with Hawaii locations received 95 percent of FHWA-funded contract dollars and 90 percent of FAA-funded contract dollars.)
- Identified 31 different types of work that accounted for most of the dollars of HDOT's FHWA- and FAA-funded prime contracts and subcontracts (96% of FHWA- and 90% of FAA-funded contract dollars).
- Surveyed thousands of companies in Hawaii performing work in those 31 subindustries to identify businesses available for HDOT contracts and the different types, sizes and locations of contracts they perform, and their ownership. About 57 percent of available businesses were minority- or women-owned (MBEs and WBEs).
- Using the survey data, calculated the number of MBEs and WBEs and total number of firms available for each contract and subcontract examined given its type, size and location (i.e., an availability analysis for each contract).
- Dollar-weighted the results of the availability analyses for each contract to determine overall availability for FHWA-funded contracts and for FAA-funded contracts at the two airports. Dollar-weighted availability for MBE/WBEs is:
 - 52.97 percent for FHWA-funded contracts;
 - 51.54 percent for FAA-funded contracts at Honolulu International Airport; and
 - 58.78 percent for FAA-funded contracts at Kahului Airport.
- Determined which minority- and women-owned firms are now certified as DBEs or can be counted as "potential DBEs." (Each MBE and WBE was counted as current or potential DBEs unless it had graduated from the DBE Program, had certification applications denied, or its revenue was too high to be eligible for certification.)

Figure ES-1 presents the results of the dollar-weighted availability analysis for FHWA-funded contracts and FAA-funded contracts for the two airports. The first row indicates MBE/WBE availability, deductions for non-DBEs are made in the second row and the final row shows the results for current and potential DBEs.

Figure ES-1.

Dollar-weighted availability of MBE/WBEs and current and potential DBEs for HDOT FHWA-contracts and for FAA-funded contracts at Honolulu International Airport and Kahului Airport, July 2011–June 2016

Calculation of base figure	FHWA	FAA	
		HNL	OGG
Total MBE/WBE	52.97 %	51.54 %	58.78 %
Less firms that graduated from the DBE Program or denied DBE certification in recent years or exceed revenue thresholds	6.51	14.51	0.91
Current and potential DBEs	46.46 %	37.03 %	57.87 %

Note: Numbers may not add to totals due to rounding.

Source: Keen Independent availability analysis.

Potential Adjustments to Calculate the Overall DBE Goal

HDOT must consider potential adjustments to the base figure as part of determining its overall annual DBE goal for FHWA- and FAA-funded contracts. HDOT must also project the portion of its overall goals it expects to meet through “neutral means,” which includes strategies to encourage small business participation in its contracts. With certain restrictions, federal regulations provide for any unmet portion of an overall DBE goal to be met through use of DBE contract goals.

Potential step 2 adjustments. Per the Federal DBE Program, HDOT must consider potential step 2 adjustments to its base figures when it determines its overall annual DBE goals. Adjustments can be upward or downward. Factors to be considered are:

1. Current capacity of DBEs to perform work, as measured by the volume of work DBEs have performed in recent years;
2. Information related to employment, self-employment, education, training and unions;
3. Any disparities in the ability of DBEs to get financing, bonding and insurance; and
4. Other relevant factors.³

HDOT should review the information presented in the Availability Study report when considering whether to make an adjustment. Some possibilities are provided below.

³ 49 CFR Section 26.45.

Potential downward step 2 adjustment. USDOT’s “Tips for Goal-Setting” states that agencies should examine data on past DBE participation on their USDOT-funded contracts as an indication of current capacity of DBEs to perform work. USDOT suggests taking one-half of the difference between the base figure and this measure of current capacity to calculate the step 2 adjustment for that factor. The second column of Figure ES-2 shows these results.

No step 2 adjustment. The third column of Figure ES-2 presents results if no adjustment is made.

Potential upward step 2 adjustment. Keen Independent’s analyses indicate that, but for discrimination, availability of minority- and women-owned firms would be higher in the Hawaii construction and engineering industries (see Chapters 6 and 7 of the Availability Study report). The fourth column of Figure ES-2 examines these results.

Results. Figure ES-2 summarizes the goals and projections if HDOT chooses to make downward or upward adjustments to its goals or make no adjustments at all (using the “base figure”). The first column shows the current HDOT overall DBE goals and neutral projections for FHWA-funded contracts and FAA-funded contracts at the two airports

Figure ES-2.

Information for HDOT consideration concerning potential overall DBE goals and projections of race-neutral participation for FHWA-funded contracts and for FAA-funded contracts at Honolulu International Airport and Kahului Airport, FFY 2020 through FFY 2022

Component of overall DBE goal	FFY 2017- FFY 2019	FFY 2020 - FFY 2022		
		Downward adjustment	Base figure	Upward adjustment
FHWA				
Overall goal	29.05 %	25.60 %	46.46 %	71.42 %
Neutral projection	- 0.26	- 9.74	- 9.74	- 9.74
Race-conscious projection	28.79 %	15.86 %	36.72 %	61.68 %
FAA - Honolulu International Airport				
Overall goal	24.40 %	19.07 %	37.03 %	63.80 %
Neutral projection	- 4.19	- 0.01	- 0.01	- 0.01
Race-conscious projection	20.21 %	19.06 %	37.02 %	63.79 %
FAA - Kahului Airport				
Overall goal	21.70 %	28.94 %	57.87 %	76.34 %
Neutral projection	- 11.00	- 0.00	- 0.00	- 0.00
Race-conscious projection	10.70 %	28.94 %	57.87 %	76.34 %

Source: Keen Independent analysis.

Portion of the overall DBE goals to be met through neutral measures. When developing an overall DBE goal, agencies such as HDOT must also project the portion of that goal they expect to meet through (a) race- and gender-neutral means, and (b) race- and gender-conscious programs (if any). Race- and gender-neutral measures are initiatives that encourage the participation of all businesses, or all small businesses, and are not specifically limited to minority- or women-owned firms or DBEs. Agencies must determine whether they can meet their overall DBE goal solely through neutral means or whether race- and gender-conscious measures — such as DBE contract goals — are also needed.

Keen Independent’s projections of future neutral participation are shown in Figure ES-2. Results suggest that HDOT will need to continue its use of DBE contract goals to meet future overall goals for FHWA-funded contracts and FAA-funded contracts at the two airports. HDOT should review results of the full Availability and Disparity Study report to be prepared in late 2019 for a thorough analysis of this issue.

Additional Information in the Availability Study

Keen Independent also analyzed whether there was a level playing field for minority- and women-owned firms in the Hawaii highway construction and engineering marketplace. Based on Census data, surveys, in-depth interviews and other information, results indicate that the playing field is not level for minority- and women-owned businesses. The Availability Study report explains research methods and what is shown from analysis of quantitative and qualitative information.

Public Participation Process

Keen Independent and HDOT implemented an extensive public participation process as part of the 2019 Availability and Disparity Study, which will continue through completion of the full report in late 2019. To date, these activities include:

- An External Stakeholder Group that met with the study team and HDOT;
- A study website that posted information from the beginning of the study as well as a telephone hotline and dedicated email address for anyone wishing to comment;
- Surveys of company owners and managers to provide information about their businesses and any perceived barriers in the marketplace; and
- In-depth personal interviews with business owners, trade associations and others throughout the state.

Through these methods, the study team received information from hundreds of businesses and other groups across Hawaii.

Keen Independent has published this draft Availability Study report for public comment before finalizing the report. In July, HDOT will hold four public meetings concerning the Availability Study report and the overall DBE goals that HDOT will propose to FHWA and FAA. All meetings will be from 9 am to 11 am with the last part of each meeting reserved for a focus group discussion of marketplace conditions and the DBE Program. Keen Independent will participate in each meeting.

Tuesday, July 9	Wednesday, July 10	Thursday, July 11	Friday, July 12
Oahu	Maui	Kauai	Hawaii Island
Daniel K. Inouye International Airport, Inter-island Terminal 7th floor conference room 400 Rodgers Boulevard Honolulu, HI 96819	Highways Division Maui District Office 650 Palapala Drive Kahului, HI 96732	Highways Division Kauai District Office 1720 Haleukana Street Lihue, HI 96766	Highways Division Hawaii District Office 50 Makaala Street Hilo, HI 96720

The public will be able to give feedback at the public meetings and can also provide written comments:

- Online at <https://www.keenindependent.com/hdotdisparitystudy2019/>;
- Via email at HDOTdisparitystudy2019@keenindependent.com; or
- By mail to HDOT Office of Civil Rights, 200 Rodgers Boulevard, Honolulu, HI 96819.

Keen Independent will incorporate information from the public meetings and written comments into the final Availability Study report, which will also be made available to the public. In addition, HDOT will review this information when finalizing its proposed overall DBE goal calculation for submission to FHWA and FAA in August 2019.