

Disadvantaged Business Enterprise

FFY 2024 – 2026
Federal Transit Administration
Proposed Goal & Methodology

February 2024

Introduction

The Hawaii Department of Transportation (HDOT) hereby submits its proposed annual, overall Disadvantaged Business Enterprise (DBE) goal for Federal Fiscal Years (FFY) 2024 through FFY 2026 to the Federal Transit Administration (FTA) pursuant to [49 CFR Part 26, section 26.45](#).

Based on the results of a DBE Availability and Disparity Study prepared in December 2019 by Keen Independent Research (Keen Independent) and anticipating additional projects totaling approximately \$67,927,000.00, HDOT proposes to continue to use its current goal of 2.92 percent for the DBE goal for FFY 2024 through FFY 2026 for FTA-funded contracts. The overall goal is based on demonstrable evidence of ready, willing and able DBEs relative to all businesses currently ready, willing and able to participate on HDOT's FTA-assisted contracts.

FFY 2024 through FFY 2026 Anticipated Projects

Three anticipated construction projects for Kauai County - approximately \$8,950,000.00:

- Base Yard Expansion – anticipated amount: \$3,450,000.00
- Water Detention Basin – anticipated amount: \$3,000,000.00
- Kapaa Satellite Base Yard – anticipated amount: \$2,500,000.00

Two anticipated construction projects for Maui County –approximately \$40,558,000.00:

- Construct Bus Passenger Shelters – anticipated amount: \$558,000.00
- Maui Transportation Base Yard – anticipated amount: \$40,000,000.00

Two anticipated construction projects for Hawaii County –approximately \$18,419,000.00:

- Improvements to Hilo Base Yard – anticipated amount: \$5,449,000.00
- Kona Base Yard – anticipated amount: \$12,970,000.00

The 2019 Availability and Disparity Study report provided information to HDOT as it considered (1) its overall DBE goal for FFY 2024 through FFY 2026 for FTA-funded contracts, and (2) its projection of the portion of its overall DBE goal to be achieved through race- and gender-conscious and neutral means. Based on past participation from prime and subcontractors for FFY 2021 through FFY 2023, HDOT feels that both race- and gender-conscious and neutral methods of DBE participation is needed to achieve the overall DBE goal. HDOT estimates the overall goal can be achieved through race- and gender-conscious and neutral participation on HDOT FTA-assisted projects.

HDOT's current DBE overall goal is 2.92 percent with a 0 percent/2.92 percent race conscious/race neutral split respectively. HDOT is anticipating approximately \$67,927,000.00 worth of projects during FFY 2024 through FFY 2026. However, only a limited number of subtracting opportunities are anticipated for those projects. This coupled with the large dollar amount of anticipated construction projects is rationale for HDOT's continued use of its current base figure of 2.92 percent for its DBE goal. HDOT feels using race- and gender-conscious and neutral efforts to meet its DBE goal is most advantageous because HDOT has not previously

exceeded its goals in the past, DBE prime contractors have not been awarded any previous projects, and there has not been participation on projects without contract goals by DBE subcontractors.

HDOT used data from the 2019 Keen Independent Availability and Disparity Study, and guidance from the *2022 DBE Overall Goal Methodology DBE Program – Overall Goal Methodology* PowerPoint and USDOT's *Tips for Goal-Setting in the Disadvantaged Business Enterprise (DBE) Program* for this process to establish its proposed overall DBE goal.

The 2019 DBE Availability and Disparity Study report provided information to HDOT as it considered refinements to: (1) its overall DBE goal for FFY 2024 through FFY 2026 for FTA-funded contracts, and (2) its projection of the portion of its overall DBE goal to be achieved through race- and gender-conscious and neutral means. HDOT estimates that the overall goal can be achieved through race- and gender-conscious and neutral participation on HDOT FTA-assisted projects.

Relevant Geographic Market Area and Type of Work

HDOT is using data from its 2019 Availability and Disparity Study to determine Relevant Geographic Market Area and Types of Work: Based on analysis of FTA-funded contracts for FFY 2021 through FFY 2023, HDOT determined that Hawaii should be selected as the relevant geographic market area.

- About 100 percent of HDOT FTA-funded contract dollars from July 2011 through June 2016 went to firms with locations in Hawaii. Therefore, the availability analysis examined firms with locations in Hawaii.
- Keen Independent also examined the types of work involved in FTA-funded contracts from July 2011 through July 2016. There were 31 types of work that accounted for about 93 percent of FTA-funded contract dollars. The availability analysis focused on firms performing these 31 types of work.

STEP 1 – Availability Analysis

Availability is expressed as the percentage of the associated contracting dollars that one might expect DBEs to receive based on various factors including the type of work involved, the location of the work and the size of the contract or subcontract, and then dollar-weighting results to prepare an overall availability estimate.

HDOT's availability analysis determined the percentage of FTA-funded contracts from FFY 2021 through FFY 2023 that might go to current or potential DBEs if they had the same chance of winning that work as any other available firm, after accounting for the type, size and location of those prime contracts and subcontracts. HDOT used a dollar-weighted approach to determine this overall availability estimate. Based on this analysis, it is expected that current and potential DBEs will receive 2.92 percent of FTA-funded transportation contracts let by HDOT for FFY 2024 through FFY 2026.

Master Availability Database. HDOT used a master availability database (current and potential DBEs and non-DBEs), developed by Keen Independent for the 2019 Availability and Disparity Study. Keen Independent developed it by contacting thousands of firms to collect information about availability for HDOT contracts. The firms contacted for the database came from sources including, but not limited to:

- Companies that had previously identified themselves to HDOT as interested in learning about future work by being prequalified for certain types of work or being on bidding lists; and
- Businesses that Dun & Bradstreet (D&B) identified in certain transportation contracting-related sub-industries in Hawaii (D&B's Hoover's business establishment database). (D&B's Hoover's database is accepted as the most comprehensive and complete source of business listings in the nation.)

Keen Independent completed surveys with 1,101 Hawaii businesses. After consolidating duplicate responses and removing companies that are no longer in business, not-for-profit, unable to perform transportation-related work or uninterested in discussing availability for HDOT work, the final database contains 304 businesses, of which 174 (or 57 percent) were minority- or women-owned (MBE or WBE).

¹Table 1 - Availability Head Count of Transportation Construction and Engineering -Related Businesses Included in the 2019 Availability and Disparity Study.

Figure 1. Availability "Head Count" of Transportation Construction and Engineering-Related Businesses Included in 2019 Availability and Disparity Study

Race/ethnicity and gender	Number of firms	Percent of firms
African American-owned	5	1.6 %
Asian Pacific American, Native Hawaiian or Pacific Islander-owned	126	41.4
Hispanic American-owned	18	5.9
American Indian or Alaska Native-owned	2	0.7
Subcontinent Asian American-owned	10	3.3
Total MBE	161	53.0 %
WBE (white women-owned)	13	4.3
Total MBE/WBE	174	57.2 %
Total majority-owned firms	130	42.8
Total firms	304	100.0 %

Dollar-Weighted Availability. For each of the availability analyses HDOT developed dollar-weighted availability benchmarks. This approach is consistent with USDOT's "Tips for Goal-Setting in the Disadvantaged Business Enterprise (DBE) Program."

This triennial goal period includes projects similar in scope and nature to the previous goal period (FFY 2021 through FFY 2023).

To calculate dollar-weighted availability, HDOT determined the number of DBEs and the total number of firms available for each anticipated FTA-funded contract for FFY 2021 through FFY 2023.

¹ Source: Keen Independent 2019 Availability and Disparity Study (Chapter 4, Page 9)

HDOT then dollar-weighted the availability results for each prime contract and subcontract based on the dollars of that prime contract or subcontract relative to the total dollars of anticipated FTA-funded contracts for FFY 2021 through FFY 2023.

Dollar-weighted availability is much more precise than a simple “head count” of businesses because it considers the following factors regarding available firms: (1) qualifications and interest in performing prime contracts and/or subcontracts, (2) type of work performed, (3) location of contracting opportunity, and (4) size of the contract or subcontract. Below presents an example of an availability calculation. Availability calculations were first done for minority- and women-owned firms (MBE/WBEs) and then refined to show results for current and potential DBEs.

Example of an Availability Calculation for an HDOT Subcontract

One of the subcontracts examined was for electrical work (\$98,750) on an HDOT 2011 Federal Transit Administration-funded contract. To determine the number of MBE/WBEs and majority-owned firms available for that subcontract, the study team identified businesses in the availability database that:

- a. Were in business in 2011;
- b. Indicated that they performed electrical work on transportation-related projects;
- c. Reported working or bidding on subcontracts in Hawaii in the past seven years;
- d. Reported bidding on work of similar or greater size in the past seven years;
- e. Reported ability to perform work on Molokai; and
- f. Reported qualifications and interest in working as a subcontractor on local government transportation projects.

There were 27 businesses in the availability database that met those criteria. Of those businesses, 17 were MBEs or WBEs. Therefore, MBE/WBE availability for the subcontract was 63 percent (i.e., $17/27 = 63.0$ percent).

The weight applied to this contract was $\$98,750 \div \$32 \text{ million} = 0.31$ percent (equal to its share of total FTA-funded contract dollars for HDOT contracts).

Keen Independent repeated this process for each prime contract and subcontract.

Source: Keen Independent availability analysis

Potential and Certified DBE Availability Adjustments. HDOT further refined this figure, which focuses on availability of currently certified DBEs and firms that could be certified as DBEs, by not counting any MBE or WBE firms as potential DBEs that appear to be ineligible for certification. Based on the Disparity Study’s findings, there were three groups of MBEs/WBEs that did not count as potential DBEs when calculating the base figure:

- MBE/WBEs that in recent years graduated from the DBE Program or had applied for DBE certification in Hawaii but were denied.
- MBE/WBEs that reported annual revenue in the availability surveys that exceeded the revenue limits for DBE certification for their sub-industry over the most recent three years (at the time of the 2018 survey).
- MBE/WBEs that indicated in follow-up interviews that they were not eligible or not interested in DBE certification (interviews performed in the Availability and Disparity Study).

As shown below in Table 3, HDOT’s base figure (based on the previously approved DBE Goal Methodology for FFY 2021 through FFY 2023) is calculated to be 2.92 percent. HDOT believes the base figure can be used for the FY 2024 through FFY 2026 DBE goal methodology based on its anticipated federally funded projects amounts and that those projects will have similar scope, nature of work and subcontracting opportunities as the projects included in the previously approved DBE Goal Methodology for FFY 2021 through FFY 2023.

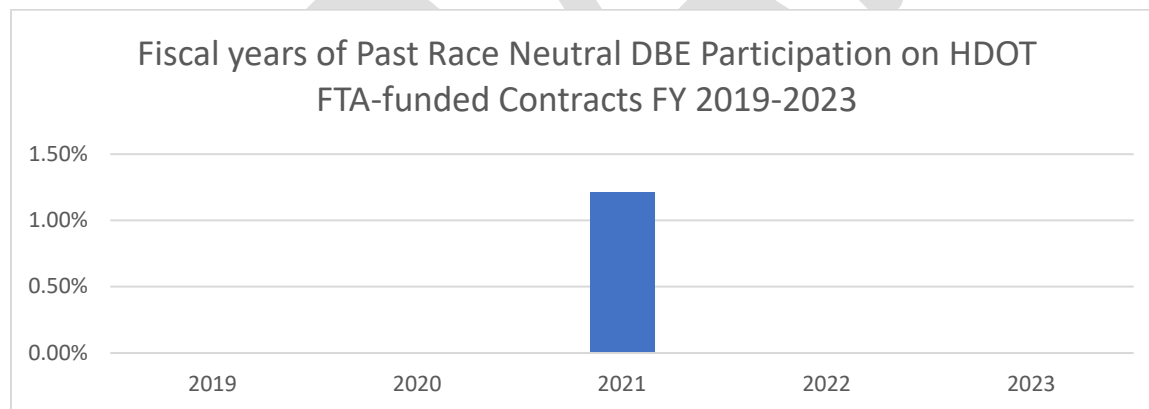
STEP 2 – Base Figure Adjustment

In the base figure analysis, firms considered as DBEs were those businesses that were DBE-certified or appeared that they could be DBE-certified based on revenue criteria described in federal regulations including 49 CFR Section 26.65.

Summary of Approaches for Making Step 2 Adjustments. Quantification of potential downward or upward step 2 adjustments is summarized below.

1. Current Capacity of DBEs to Perform Work, as Measured by the Volume of Work DBEs Have Performed in Recent Years.

²Table 2 – Past Race Neutral DBE Participation on HDOT FTA-funded Contracts During Fiscal Years 2019-2023.



Analysis of this factor might indicate a downward step 2 adjustment if HDOT analyzed its estimates of past DBE participation from FFY 2019 through FFY 2023. Based on HDOT’s analysis, the median DBE race neutral participation on FTA-funded contracts was 0.00 percent for FFY 2019 through FFY 2023.

FY 2019: 0.00 percent, FY 2020: 0.00 percent, **FY 2022: 0.00 percent**, FY 2023: 0.00 percent, FY 2021: 1.21 percent.

***NOTE:** Fiscal years of Past Race Neutral DBE Participation on HDOT FTA-funded Contracts FY 2019- 2023 are arranged to illustrate that FY 2022: 0.00 percent is the median number.*

² Source: HDOT Uniform Reports of DBE Awards/Commitments and Payments

USDOT “Tips for Goal-Setting” suggests taking one-half of the difference between the base figure and evidence of current capacity as one approach to calculate the step 2 adjustment for that factor. Using the base figure of 2.92 percent and median number of 0.00 percent from the past five fiscal years of DBE Participation on HDOT FTA- funded contracts, DBE participation is 2.92 percentage points (2.92 percent + 0.00 percent = 2.92 percent). One-half of this difference reflects a downward adjustment to 1.81 percentage points (2.92 percent ÷ 2 = 1.81 percent).

2. Information Related to Employment, Self-employment, Education, Training and Unions.

The study team was not able to quantify all of the information regarding barriers to entry for MBE/WBEs. As per the Keen Independent for the 2019 Availability and Disparity Study, HDOT used the quantification of the business ownership factor indicates an upward step 2 adjustment of 13.48 percentage points to reflect the “but-for” analyses of business ownership rates. If HDOT made this adjustment, the overall DBE goal for FTA-funded contracts would be 16.40 percent (2.92 percent + 13.48 percent).

³Table 3 - Downward and Upward Adjustment Options for HDOT:

Step 2 adjustment component		Value	Explanation
Lower range of overall DBE goal			
Base figure		2.92 percent	From base figure analysis from previous methodology
Evidence of current capacity	+	0.00 percent	Past DBE participation (Uniform Report data)
Total		2.92 percent	
	÷	2	Reduce by one-half
Adjustment		1.81 percent	Downward adjustment for current capacity
Upper range of overall DBE goal			
Base figure		2.92 percent	From base figure analysis
Adjustment for "but for" factors	+	13.48 percent	“But for” step 2 adjustment for business ownership (As per the Keen Independent for the 2019 Availability and Disparity Study)
Overall DBE goal		16.40 percent	Upper range of DBE goal

HDOT considered the above information when determining whether to make a downward, upward or no step 2 adjustment when establishing its overall DBE goal.

If HDOT made a downward step 2 adjustment reflecting current capacity to perform work, its overall DBE goal for FTA-funded contracts would be 1.81 percent. If HDOT decided to not make a downward adjustment and instead makes an upward adjustment that reflects analyses of business ownership rates, its overall DBE goal would be 16.40 percent. If HDOT did not make a downward adjustment nor an upward adjustment, its overall DBE goal would remain the same at 2.92 percent.

³ Source: HDOT Uniform Reports of DBE Awards/Commitments and Payments

For FTA-funded contracts, HDOT is proposing to utilize its current base figure of 2.92 percent, as its DBE goal for FFY 2024 through FFY 2026 for the following reasons:

- The goal of 2.92 percent is greater than the median past DBE participation of 0.00 percent (based on the Uniform Report data of 2019 – 2023), which supports using the previous base figure of 2.92 percent, rather than a downward adjustment to 1.81 percent or an upward step 2 adjustment to 16.40 percent.

HDOT will utilize its current base figure (2.92 percent) because HDOT feels that it is more reflective of current capacity.

- HDOT calculated the difference between the “but for” MBE/WBE availability (13.48 percent) and the current availability (2.92 percent) to calculate the potential upward adjustment. This total, and potential upward adjustment is 16.40 percentage points (13.48 percent + 2.92 percent = 16.40 percent). HDOT data does not support using an upward step 2 adjustment.
- In FFY 2019 through FFY 2023, HDOT fell short of its DBE goal (2.92 percent) by an average of approximately 2.68 percentage points each fiscal year, which indicates that an upward-adjusted goal of 16.40 percent on FTA-funded projects would not be achievable.

⁴Table 4 - Past DBE Goal Attainment on HDOT FTA-funded Contracts During Fiscal Years 2019-2023.

Federal fiscal year	DBE goal	DBE commitments/ awards	Difference from DBE goal
2019	2.92 percent	0.00 percent	-2.92 percent
2020	2.92	0.00	-2.92
2021	2.92	1.21	-1.71
2022	2.92	0.00	-2.92
2023	2.92	0.00	-2.92

- HDOT calculated the difference between the “but for” MBE/WBE availability (13.48 percent) and the current availability (2.92 percent) to calculate the potential upward adjustment. This difference, and potential upward adjustment, is 16.40 percentage points (13.48 percent + 2.92 percent = 16.40 percent).
- HDOT feels that evidence suggests utilizing its current base figure of 2.92 percent is necessary and more attainable.

⁴ Source: HDOT Uniform Reports of DBE Awards/Commitments and Payments

Race/Gender Neutral and Race/Gender Conscious Split

HDOT proposes to use its lone data point of 1.21 percent of the *Past Race Neutral DBE Participation on HDOT FTA-Funded Contracts During Fiscal Years 2019-2023* (as illustrated on Table 4 on the preceding pages) to establish the race-neutral projection of its overall goal.

- The lone data point of 1.21 percent from FFY 2021 provides an opportunity to utilize its limited data to help identify its race/gender neutral participation. This will allow HDOT to maximize its race/gender neutral efforts.

Based on the data presented, the proposed overall DBE goal is 2.92 percent with a 1.71 percent race/gender conscious and 1.21 percent race/gender neutral split. This would afford HDOT an opportunity to successfully meet its overall DBE goal through race- and gender-conscious and neutral efforts.

HDOT will monitor DBE participation throughout the year to adjust its use of contract goals to ensure that its use does not exceed the overall goal.

To increase race/gender neutral efforts, HDOT will continue to provide the following supportive services:

- Inform and educate DBEs of available solicitations posted the Hawaii Awards & Notification Data System (<https://hands.ehawaii.gov/hands/>).
- Ensure the access of our DBE Directory (www.hdot.dbesystem.com), through electronic means to prime contractors.
- Provide outreach and education on the DBE program to trade groups, associations, chapters, and minority and women's organizations.
- Organize, host, and sponsor multiple networking events yearly to provide the opportunities for primes and HDOT DBEs to meet face to face (either in-person or virtually). These networking events will occur on the islands of Oahu, Kauai, Maui and Hawaii.
- Organize, host, and sponsor informational events for specifically identified lettings. These informational events will inform the DBEs of the specific scope of work for the project, and they will be able to better understand the opportunities that the project may afford them.
- Notify DBEs, with the capability and willingness to performing as a prime contractor, of the upcoming lettings that are conducive to businesses their size.
- Host supportive services programs to improve the business acumen for DBEs and other small businesses.

Additionally, HDOT will continue to count the following race/gender neutral participation:

- DBE participation on projects with a contract goal, that exceed the DBE contract goal.
- When a DBE wins a prime contract through customary competitive procurement procedures.

Groups Eligible for DBE Contract Goals

HDOT strongly feels that businesses owned and controlled by socially and economically disadvantaged individuals, specifically Asian Pacific Americans, Native Hawaiians, or Pacific Islanders, must be eligible for DBE contract goals.⁵ Nearly 25 percent of residents of Hawaii identify as multiracial.⁶ Approximately 70 percent of those who identify as multiracial, recognize themselves as a combination of white, Asian Pacific American, Native Hawaiian, and Pacific Islander.

Table 5 provides information regarding the utilization and availability of these groups is demonstrated as an aggregate of the groups and sub-groups listed above. Substantial disparities are illustrated for African American-, Hispanic American-, American Indian- and Alaska Native- and Subcontinent Asian American-owned companies. These disparities occurred even with HDOT's application of DBE contract goals during the study period.

⁷Table 5 - MBE/WBE utilization and availability for HDOT FTA-funded contracts, July 2011–June 2016.

	Utilization	Availability	Disparity index
African American	0.00 %	0.05 %	0
Asian Pacific American, Native Hawaiian or Pacific Islander	11.67	16.96	69
Hispanic American	0.14	0.88	16
American Indian or Alaska Native	0.00	5.03	0
Subcontinent Asian American	0.00	0.64	0
Total MBE	11.81 %	23.56 %	50
WBE (white women-owned)	0.00	25.31	0
Total MBE/WBE	11.81 %	48.87 %	24
Total majority-owned	88.19	51.13	172
Total firms	100.00 %	100.00 %	

Note: Number of contracts/subcontracts analyzed is 47.

Source: Keen Independent disparity analysis for HDOT and local government contracts.

Disparity index of 100 or higher	A disparity index of 100 indicates an exact match between actual utilization and what might be expected based on MBE/WBE availability for a specific set of contracts (often referred to as “parity”).
Disparity index of less than 80	A disparity index of less than 100 may indicate a disparity between utilization and availability, and disparities of less than 80 in this report are described as “substantial.”

Ensuring that businesses owned by Asian Pacific Americans, Native Hawaiians or Pacific Islanders (which encompasses Native Hawaiians, Chinese Americans, Filipino Americans and

⁵ Hawaii's Diverse Racial Makeup. (2020, June 25). <https://census.hawaii.gov/wp-content/uploads/2020/06/Hawaii-Population-Characteristics-2019.pdf>

⁶ Krogstad, J. (2015, June 17). Hawaii is home to the nation's largest share of multiracial Americans. Pew Research Center. <https://www.pewresearch.org/fact-tank/2015/06/17/hawaii-is-home-to-the-nations-largest-share-of-multiracial-americans/>

⁷ Source: Keen Independent 2019 Availability and Disparity Study (Figure 5-13, Chapter 5, Page 17)

Japanese Americans subgroups) are included in the participation of contract goals will help ease the past unjust treatment and afford present and future generations opportunities for success. Having these opportunities will help continue to break down barriers and disparities that are continually faced.

This data demonstrates how intricately woven current and potential Asian Pacific American, Native Hawaiian or Pacific Islander owned firms are into the fabric of the business communities across the state. Access to contracting and subcontracting opportunities for these firms will continue to play a vital role in the economic health, well-being, and growth of individuals, businesses, families, and communities statewide.

Therefore, including Asian Pacific Americans, Native Hawaiians or Pacific Islanders in the participation of contract goals will continue to provide prime contractors with a suitable pool of qualified, ready, willing, and able DBEs, and it will provide a majority of firms in this large group a fair opportunity to compete for federally funded transportation contracts that are beneficial to them for acquiring access to potential prospects of generational wealth.

Overall DBE Goal

The proposed FTA goal has been narrowly tailored and illustrates the following:

Overall goal: 2.92 percent

Race Conscious goal: 1.71 percent

Race Neutral goal: 1.21 percent

The proposed goal of 2.92 percent (Overall 2.92 percent/race conscious 1.71 percent/race neutral 1.21 percent) is feasible and provides a better opportunity for attainment. This is due to the large dollar amounts of projects for FFY 2024 through FFY 2026 and the potential subcontracting opportunities and available DBEs for those projects.

HDOT will continue its outreach efforts to attract more eligible firms to participate in the DBE program and will begin efforts to set contract goals on federally funded Request for Proposals to capture DBE participation more broadly and accurately.