Disadvantaged Business Enterprise (DBE) Goal Setting Methodology: Overview

Outline

• Introduction and General Instructions
• Step One Calculation
• Step Two Calculation and Adjustment
• Calculating the Overall Goal
• Race-Neutral or Race-Conscious
Intro and General Instructions

• Introduction
• Tips for Goal setting – See document on the disk or hard copy
• This is not the only way to calculate a goal
• Method approved by NMDOT General Counsel
• General Information
• Show your work
• Explain your thought process
• Clearly describe public participation process

Step One Calculation

Purpose and Objectives

• Come up with a measurement of the actual relative availability of DBEs to perform the types of contracts that you intend to let.
• Determine what percentage of DBEs represent all firms ready, willing, and able to compete for DOT-assisted contracting.
Step One Calculation, cont’d

Calculation:
Divide the number of **DBEs ready, willing and able** to bid on contracts by the number of **all firms (DBEs and non-DBEs) ready willing and able to bid on contracts**.

\[
\text{Step One Base Figure} = \frac{\text{Ready, willing, and able DBEs}}{\text{All firms ready, willing, and able (including DBEs and non-DBEs)}}
\]

Example:
\[
\frac{44 \text{ DBEs in heavy construction} + 14 \text{ DBEs in trucking}}{300 \text{ firms in heavy construction} + 150 \text{ firms in trucking}} = \frac{58}{450} = 12.8\%
\]

Step One Calculation, cont’d

Data Sources used for calculation
- No past participation in Step One goal calculation
- Use most refined data
  - NAICS codes
  - Bidders list
  - Census data
  - DBE directory
  - Disparity studies
  - Combination of any of these sources
Step One Calculation, cont’d

• Define Local Market Area

• Local Market is the area in which a substantial majority of the contractors and subcontractors with which you do business are located and the area in which you spend the majority of your contracting dollars.

• Explain how you determined the boundaries of your local market area.

• “Apples to Apples” calculation ensure that the same data is used in the numerator and denominator.
Step One Calculation, cont’d

- Use weighting whenever possible
  a. \[
  \left( \frac{9^{\text{heavy construction DBEs}}}{9^{\text{all construction firms}}} \right) + 1\left( \frac{14^{\text{truck OBEs}}}{180^{\text{all trucking firms}}} \right) \times 100 \]

- \[
  \left( \frac{9^{446^{\text{heavy construction DBEs}}}}{309^{\text{all construction firms}}} \right) + 1\left( \frac{14^{\text{truck OBEs}}}{150^{\text{all trucking firms}}} \right) \times 100 \]

- \[
  \left( \frac{9^{1467^{\text{heavy construction DBEs}}}}{1330^{\text{all construction firms}}} \right) + 1\left( \frac{0033^{\text{truck OBEs}}}{190^{\text{all trucking firms}}} \right) \times 100 = 14.13 \]

- De-certification should be addressed in Step One
- No adjustments based solely on changes in the amount of federal assistance
- Reminder: This is just one method to find and calculate relative availability of DBEs.

Step Two Calculation

Purpose

- To adjust step one base figure to make it as precise as possible
- Consider all evidence available in your jurisdiction to determine whether an adjustment is necessary.
Step Two Calculation, cont’d

• Factors to consider in Step Two adjustment (if relevant and reliable data is available)
  • Past participation
  • Disparity studies
  • Statistical disparities in the ability of DBEs to get financing, bonding and insurance.
  • Data on employment, education, and training
  • Data that may help better measure the percent of work that DBEs would be likely to obtain in the absence of discrimination.
• Adjustments not mandatory. Data must show an adjustment is justified.

• How to calculate the adjustment based on past participation
  • Determine Median past participation
  • Median is the middle number in any group of numbers
  • With even numbers average the two middle numbers
• Example: Last four years of past participation are
  
<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>18%</td>
</tr>
<tr>
<td>1999</td>
<td>15%</td>
</tr>
<tr>
<td>2000</td>
<td>12%</td>
</tr>
<tr>
<td>2001</td>
<td>11%</td>
</tr>
</tbody>
</table>

  Arrange the values from low to high
  11%
  12%
  15%
  18%

  Then take the average of the two middle numbers
  12% + 15% = 27%
  27% divided by 2 = 13.5%
  13.5% is the median of past participation
Step Two Calculation, cont’d

• Other data sources to adjust base figure
  • Disparity Study
    • Not required
    • If older then five years, it is not considered an accurate source
    • State in your submission whether a disparity study was or was not conducted in your area
    • State in your submission whether you used a disparity study to make an adjustment and describe why.
    • If you did not use a disparity study to make the step two adjustment describe why.

Calculating the Overall Goal

• Take the Step One base figure and average it with the Step Two adjustment figure to calculate the overall goal.
• Example:
  Step One Base Figure + Median past participation % / 2
  9% + 13.5% / 2
  22.5% / 2 =
  \[ \frac{22.5}{2} = 11.25\% \]
Race-Neutral or Race-Conscious

- Explain why you projected that you could achieve the level of race-neutral, race-conscious participation you propose and the specific reasoning and data that support your conclusion.
- Factors to consider in projecting the portion of your overall goal that you will be able to meet through race-neutral and race-conscious means.
  - Amount you exceeded your goal in the past.
  - Consider past participation by DBE Subcontractors on contracts without contract goals.
  - Consider DBE participation pursuant to race-neutral state or local programs.
  - Consider concrete plans to implement new race-neutral methods.
  - Consider past history of inability to achieve goals.
  - Avoid double-counting.
  - Monitor DBE participation to determine whether you need to adjust your use of race-conscious measures.

Thank You!!!