

Illinois Department of Transportation
FFY 2004
FAA
Overall DBE Goal

Introduction

The Illinois Department of Transportation (Department) has prepared this document to describe the methodology used to establish the overall goal mandated by 49 CFR Part 26. The Department relied on the regulations and guidance provided concerning the implementation of the regulations. 49 CFR 26.45 requires a two-step process for setting the overall goal for DBE participation in contracts. The first step is the calculation of a base figure for the relative availability of DBEs to work on Department contracts. This step is intended to determine the percentage that DBEs represent of all firms that are ready, willing and able to compete for contracts and subcontracts. The second step considers a possible adjustment of the base figure to arrive at an overall goal that represents the amount of DBE participation the Department might expect to achieve as precisely as possible considering available and relevant evidence. As required by 49 CFR 26.51(c), the Department submits a projection of the portion of the overall goal that it expects to meet through race-neutral means and the basis for the projection.

Public Participation

In order to satisfy the public participation requirements of the regulations, the Department held public meetings to solicit information from any organization, group or individual interested in the program. The meetings were held June 25, 2003 in Springfield, Illinois and July 7, 2003 in Chicago, Illinois. Notices of the meetings were widely circulated and published sufficiently in advance to encourage maximum participation. In addition, the Department has engaged in an on-going dialogue with many individuals, minority organizations, women's groups and contractor associations that have a stake in the operation and success of the program, and that would be expected to have information concerning the availability of businesses that could participate in the Department's FAA-assisted contracts. The Department believes that the submitted methodology produces supportable goals, and that the record of modification requests has not established a consistent trend that suggests a need for adjustment in the methodology for FFY 2004. This submission indicates the reasons for the Department's decisions in this regard. The Department firmly believes that its actions must be guided by the best available information that is refined and reliable in order to avoid the overestimation of the number of businesses.

Discussion of Methodology and Evidence

Initially, the Department has determined its market area is the State of Illinois. While the determination of the market area is not as simple as selecting the political jurisdiction of the Department as a geographic area, the Department has concluded that the designated market area is accurate. The market area is, according to federal guidance, the area in which the substantial majority of the contractors and subcontractors with which the Department does business are

located, and the area in which the substantial majority of contracting dollars are spent. In each of these respects, the public contract records of the Department indicate that the appropriate market area is the geographical area of the State of Illinois. All Department contracts are performed in the State on behalf of local airport sponsors. Any out-of-state contractor or subcontractor must meet the same qualifying standards and requirements as in-state firms, and thus would be included in the consideration of available businesses.

In the market area, the Department has two principal types of contractors that participate on the Department's FAA-assisted contracts: construction contractors and engineering consultant contractors. Of these, construction contractors dominate the analysis. The Department has used its DBE Directory and other relevant data sources to calculate the base percentage availability of DBEs in each contractor category. By its efforts, the Department believes that it has used the best evidence of the actual availability of ready, willing and able DBEs relative to all businesses desiring to participate in the Department's FAA-assisted contracts. For construction contractors, the relevant data sources include the list of prequalified construction contractors, the registration list of all construction subcontractors and the bidding records of the Department. All engineering consultants and subconsultants are required by State law to be prequalified, and thus the relevant data source is established. This method has produced a reliable count of ready, willing and able businesses for the overall goal determination that is the most refined data available, and demonstrated to be rationally related to the relative availability of DBEs in the market.

Prior to the advent of the current DBE program, the Department had in place a comprehensive prequalification system that provided substantial information about the readily available pool of contractors interested in bidding work advertised by the Department. A prequalification system is commonly understood to be a means for predetermining the responsibility of bidders participating in a public competitive bidding context required by law. In addition, in 2000, the Department implemented a requirement by duly adopted rules that any business interested in quoting to prime contractors on Department projects must annually register as a subcontractor with the Department. (44 Ill. Admin. Code 650.370). All businesses interested in doing work on Department projects must be either prequalified to bid or registered to subcontract. These data sources allow the Department to supplement the information provided by the DBE directory. The Department believes that the prequalified contractor list, the subcontractor registration list and the DBE Directory provide an accurate measure of ready, willing and able construction contractors and subcontractors. The prequalified list of consultants and subconsultants does the same for engineering contracts. The Department certifies supply and trucking DBEs for goal credit purposes and includes them in the directory. However, registration for subcontracting purposes is not required for truckers and suppliers. Therefore, the Department has no listing of non-DBE trucking firms. The Department has an approved material supply list that identifies material suppliers without reference to DBE status. Because the list is product based, it contains over 5000 suppliers, many of whom would have a very small dollar value impact to the overall construction program. Moreover, the Department believes the goal impact of these businesses is adequately reflected in Step Two of the goal-setting procedure discussed in this submission. Due to these factors, the Department does not have the present ability to use the entire directory list for the "apples to apples" comparison of ready, willing and able DBE firms to the entire contractor marketplace mandated by federal guidance.

STEP ONE

Step One is intended to measure the actual relative availability of DBEs to perform as prime contractors, subcontractors and consultants on Department contracts. By the explained method, the Department attempts to determine the percentage that DBEs represent of all firms that are ready, willing and able to compete for contracts.

Determining the Relative Availability of DBE Contractors

As of July 25, 2003, the final count date for purposes of annual goal submission, the Department had 717 non-DBE prequalified construction contractors; 930 non-DBE registered subcontractors and 247 DBE construction contractors and subcontractors. The Department had 380 prequalified engineering consultants, 304 of which were non-DBEs and 76 were DBEs.

1. To determine the percentage availability of the DBE construction contractors and subcontractors, the number of DBE contractors and subcontractors (247) was divided by 1894, which is the sum of non-DBE prequalified construction contractors (717), non-DBE registered subcontractors (930) and DBE construction contractors and subcontractors (247).

$$\frac{247}{1894} = 13.04 \text{ percent availability of DBE construction contractors}$$

2. To determine the availability of the Department's DBE engineering consultant contractors, the number of the Department's prequalified DBE consultant contractors (76) was divided by the number of all prequalified consultant contractors (380).

$$\frac{76}{380} = 20 \text{ percent availability of DBE engineering consultants}$$

Determining the Step One Base Figure

It is necessary to combine the percentage availability results in a calculation that weights the relative impacts of the two percentages in order to use them for the base figure determination. The weighting factor was determined by dividing the median dollar amount of consultant awards by the median dollar amount for consultant and construction awards for contracts awarded over the past five federal fiscal years.

	FFY 98	FFY 99	FFY 00	FFY 01	FFY 02
Total FAA engineering consultant contracts awarded by the Department	\$768,300	\$610,445	\$1.8M	\$1.0M	\$2.7M
Median: FFY 01 - \$1.0M					

	FFY 98	FFY 99	FFY 00	FFY 01	FFY 02
Total FAA Consultant and Construction Awards	\$29.0M	\$24.6M	\$42.0M	\$60.3M	\$54.0M
Median: FFY 00 - \$42.0M					

$$\frac{1.0M}{42.0M} = 2.38 \text{ percent}$$

This calculation yields a weighting factor of **97.62** percent for contractors and **2.38** percent for consultants. The relative percentage availability figures are adjusted by the weighting factors and the results are added to arrive at the composite percentage amount.

$$13.04 \text{ percent} \times 97.62 \text{ percent} = 12.73 \text{ percent}$$

$$20.00 \text{ percent} \times 2.38 \text{ percent} = .48 \text{ percent}$$

Base Figure Composite 13.21 percent

This composite percentage is the base figure representing the actual relative availability of DBEs in the Department's market area.

STEP TWO

Step Two is intended to adjust the base figure to make it as precise as possible as dictated by evidence available in this jurisdiction. After examination of the available evidence discussed above, the Department concludes that any adjustment to the base figure should take into account the capacity of DBEs to perform work as measured by the volume of work committed to be performed annually in recent years. 49 CFR 26.45(d)(1)(i) indicates that the volume of work performed can be used as a measure of current capacity.

Determining the Capacity of DBE Participants

To determine the volume of work that can be performed by DBE construction participants on FAA-assisted contracts, the annual amounts committed to DBE construction participants was divided by the annual awarded amounts of construction contracts let. DBE participants include all businesses including truckers and suppliers. The initial dollar value of awards and the amount initially committed to DBE participation in the same fiscal year are the best available information for the analysis because it compares the same type of information necessary for a consistent capacity measure. Actual tracked payments made to DBEs as a measure of capacity would be an alternative, but current information over recent years is only available based on commitments. Moreover, the Department believes that using actual tracked payments may not be accurately comparable to annual award amounts. This area will be studied as new information is developed through the regulatory reporting process.

	FFY 98	FFY 99	FFY 00	FFY 01	FFY 02
Total FAA construction contracts awarded by the Department	\$28.3M	\$23.9M	\$40.2M	\$59.2M	\$51.2M
Total DBE participation on Department FAA construction contracts	\$3.6M	\$2.8M	\$3.6M	\$5.7M	5.1M
DBE Percentage	12.88%	11.98%	8.99%	9.63%	10.13%
Median: FFY 02 – 10.13%					

To determine the volume of work performed by DBE engineering consultant contractors, the total amount committed to DBE consultant contractors was divided by the total awarded amount of consultant contracts. The amount committed is appropriate because subconsultants must be prequalified and the service to be performed by DBE consultants is established at the time of negotiating the contract. The median of the last five federal fiscal years is shown below.

	FFY 98	FFY 99	FFY 00	FFY 01	FFY 02
Total FAA engineering consultant contracts awarded by the Department	\$768,300	\$610,445	\$1.8M	\$1.0M	\$2.7M
Total DBE participation on Department engineering consultant contracts	\$58,228	\$69,523	\$126,278	\$54,994	\$175,176
DBE Percentage	7.58%	11.39%	6.75%	5.0%	6.34%
Median: FFY 00 – 6.75%					

Determining the Volume Composite

Before determining the composite of these numbers, the figures were again weighted as above.

$$\begin{aligned}
 &10.13 \text{ percent} \times 97.62 \text{ percent} = 9.89 \text{ percent} \\
 &6.75 \text{ percent} \times 2.38 \text{ percent} = \underline{.16} \text{ percent} \\
 \text{Volume Composite} & \qquad \qquad \qquad \mathbf{10.05 \text{ percent}}
 \end{aligned}$$

This volume composite is the percentage that represents the actual relative capacity of DBE participants in the Department’s market area on FAA-assisted contracts without regard to the number of firms available. The result accounts for all participants not considered in Step One such as truckers and material suppliers.

Determining the Overall Goal

The base figure calculated in Step One and the volume composite figure calculated in Step Two would be averaged to arrive at the percentage of available DBE contractors for Department work that would be established as the Overall Goal if an adjustment were warranted.

Base Figure Composite	13.21 percent
Volume Composite	<u>10.05</u> percent
Result	23.26 percent divided by 2 = 11.63 percent

The Department concludes that an adjustment is warranted by the results of the above analysis. After the Step Two adjustment, the Overall Goal is established at the 11.63 percentage level.

FFY 2004 PROJECTION

RACE / GENDER-NEUTRAL PORTION OF FAA OVERALL GOAL

Commitment: The Department will meet the maximum feasible portion of its FAA overall goal by using Race/Gender-Neutral (R/G-N) means of achieving DBE participation. The Department believes that past results have been aided by its extensive R/G-N outreach efforts, and that future results will depend on the strongest effort possible to achieve the promise of a level playing field for the participation of DBEs.

Outreach: The Department has implemented an extensive outreach program to attract additional disadvantaged business enterprise participation, and to assist those businesses as they become competitive in an R/G-N environment. The Department retains a network of consultants to provide management, technical, technology and financial services to these businesses in order to increase their knowledge and competitiveness as contractors.

Networking: The Department sponsors and serves as the host of networking sessions throughout the state to encourage cooperation and participation on major construction projects. The Department is also cooperating with a statewide network of twenty (20) Small Business Development Centers administered by the Small Business Administration and the Illinois Department of Commerce and Community Affairs in an effort to provide information and training to disadvantaged and small business enterprises.

Facilitation: The Department continues to develop and expand its web site as a valuable source for information and facilitation of communication. The Contractor's Market Place was created to help prime contractors, subcontractors, and suppliers do business with the Department. The primary objective of the Contractor's Market Place is to facilitate communications by providing an electronic bulletin board. Prime contractors are offered the ability to communicate their desire for quotes to subcontractors and suppliers. Subcontractors and suppliers have the ability to communicate their interest to prime contractors in providing quotes on specific letting items and work categories. Information is organized by letting date and posted in an easy-to-read report format. Reports are updated each day. Once a firm has indicated an interest in bidding or

quoting, this information is used to assist prime contractors in determining which firms are interested in bidding without mailing requests for quotes or making telephone calls.

Understanding: As part of the Department’s partnering with minority and women business associations, industry associations and other government agencies, a Small Business Advisory Committee (SBAC) was created to serve in an advisory capacity to the Department regarding matters relating to the DBE program. Industry associations representing prime contractors and DBE interests, from both geographic and special interest perspectives, serve on the SBAC.

Estimate of Projected Race/Gender-Neutral Participation

The Department has evaluated recent FAA DBE program participation to determine R/G-N DBE participation. R/G-N achievement includes DBE prime contractor participation and DBE subcontractor participation on contracts without goals, and participation in excess of the contract goals.

FFY	FAA Construction RN/Awards	Consultants RN/Awards	Total RN / Total Awards		RN %
1998	269,913/28.3M	368/768,300	270,281/29.0M	=	.93%
1999	333,069/23.9M	360/610,445	333,429/24.6M	=	1.35%
2000	68,938/40.2M	965/1.8M	69,902/42.0M	=	.17%
2001	427,888/59.2M	71/1.0M	427,960/60.3M	=	.71%
2002	581,097/51.2M	22,927/2.7M	604,024/54.0M	=	1.12%

Median Race/Gender-Neutral Achievement: FFY 98 - .93%

Therefore, based on the Department’s overall goal of **11.63%**, the anticipated race/gender-neutral achievement amount is **.93%** of the overall goal. This **.93%** projection results in a contract goal level of **10.70%** overall.