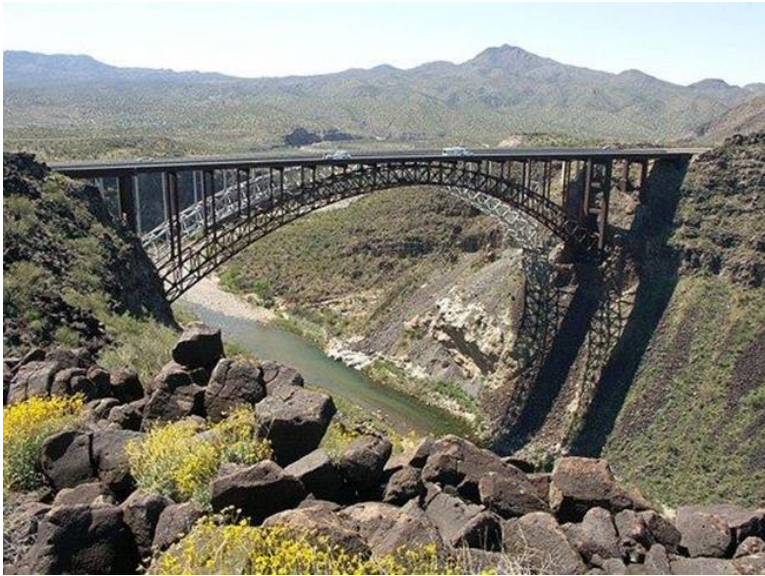


Arizona Department of Transportation 2020 Disparity Study



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Disparity Study Webinar



Webinar — 2020 ADOT Disparity Study

1. Purpose of the study
2. Availability analysis to develop base figures for overall DBE goals
3. Analysis of potential step 2 adjustments
4. Proposed goals and neutral projections
5. Utilization and availability of MBE/WBEs for ADOT contracts
6. Impact of COVID-19
7. How to give input

1. Purpose of the study

- ADOT must implement the Federal DBE Program, per 49 CFR Part 26
- Program applies to FHWA-, FAA- and FTA-funded contracts
- Disparity study provides information to help ADOT:
 - Set overall goals for DBE participation on USDOT-funded contracts
 - Consider whether ADOT can achieve overall DBE goals solely through neutral means
 - If ADOT needs to use DBE contract goals, assess specific race/ethnic/gender groups eligible to meet goals
- Establishing overall DBE goals involves two steps:
 - Base figure (current DBE availability)
 - Consideration of step 2 adjustments (upward or downward)
- USDOT instructed agencies to conduct disparity studies after 2005 Ninth Circuit decision in *Western States Paving v. Washington State DOT*
- Also, outside review of ADOT practices and other policies is useful

2a. Overview of process for 2020 study

- Used same methodology as in 2014/2015 and 2017
- Followed base figure process required in 49 CFR Part 26
- Followed step 2 adjustment process
- Conducted availability survey for 2020 (updates 2014/2015 survey)
- Identified which MBE/WBEs are “potential DBEs”
- Determined availability for each past FHWA-funded contract (not including South Mountain Freeway project)
- Dollar-weighted availability results for individual contracts to determine a base figure
- Made a step 2 adjustment, which lowered the goal
- Also conducted disparity analysis for ADOT contracts, examined marketplace data and reviewed input from 330 individuals across Arizona

2b. Summary of results

- Greater percentage of firms responding to survey in 2020 study were MBE/WBEs (about 40% vs. 35% in 2014/2015)
- Large increases in availability for mid-sized contracts/subcontracts
- As a result, dollar-weighted availability of MBE/WBEs much higher in 2020 study than in 2017 (30% vs. 17%)
- When calculating overall DBE goal, did not count MBE/WBEs that are too large, decertified or not interested in certification (same as prior years)
- Resulting base figure in 2020: 16.15% vs. 9.90% in 2017 study
- Step 2 adjustment in 2020 reduced proposed DBE goal to 12.89% (compared with 9.55% in 2017 study)
- Just certifying potential DBEs would meet 6 percentage points of goal
- Proposed overall DBE goals for FAA- and FTA-funded contracts are 10.69% and 14.64%

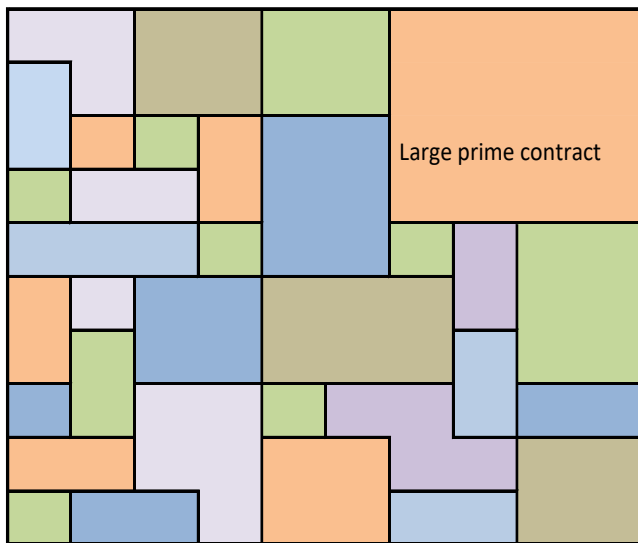
2c. Firms in the availability database

Race/ethnicity and gender	<u>2015</u> Percent of firms	<u>2020</u> Percent of firms
African American-owned	1.8 %	4.0 %
Asian-Pacific American-owned	1.3	1.2
Subcontinent Asian American-owned	1.3	1.1
Hispanic American-owned	13.2	14.4
Native American-owned	<u>2.6</u>	<u>2.3</u>
Total MBE	20.2 %	23.0 %
WBE (white women-owned)	<u>14.8</u>	<u>16.8</u>
Total MBE/WBE	35.0 %	39.8 %
Total majority-owned firms	<u>65.0</u>	<u>60.2</u>
Total firms	100.0 %	100.0 %

2d. Contract-by-contract, dollar-weighted availability analysis

- Collect information on firms available for different types of prime contracts and subcontracts through telephone interviews
- Then determine subset of firms that fit each contract/subcontract
- Divide number of MBE/WBEs available by total firms available
 - 22 MBE/WBEs ÷ 46 total firms = 48% MBE/WBE availability for subcontract
- Then weight results by \$ involved to calculate total availability

\$73,000 landscaping subcontract
on FAA-funded contract in 2015 -
22 MBE/WBEs
46 total firms



Prime contracts and subcontracts come in many types and sizes

2e. Overall dollar-weighted availability estimates for MBE/WBEs for ADOT FHWA-funded contracts

Race/ethnicity and gender	2017	2020
African American-owned	1.20 %	1.63 %
Asian-Pacific American-owned	0.55	4.17
Subcontinent Asian American-owned	1.14	0.59
Hispanic American-owned	6.83	7.07
Native American-owned	2.15	10.09
Total MBE	11.86 %	23.54 %
WBE (white women-owned)	5.56	6.30
Total MBE/WBE	17.42 %	29.84 %

Note: 2020 survey results include some MBE/WBEs indicating they were available for large projects that did not appear in the 2014/2015 availability survey.

2f. Overall dollar-weighted availability estimates for current and potential DBEs for FHWA-funded contracts

Calculation of base figure	2017	2020
Total MBE/WBE	17.42 %	29.84 %
Less firms that graduated from the DBE Program or were denied DBE certification in recent years or exceed revenue thresholds or indicated that they were not interested in DBE certification	<u>9.22</u>	<u>13.69</u>
Subtotal	8.20 %	16.15 %
Plus white male-owned DBEs	<u>1.05</u>	<u>--</u>
Overall estimate w/o South Mountain Freeway	9.25 %	
South Mountain Freeway Project	11.85	
Overall estimate (75% overall estimate, 25% South Mountain Freeway)	9.90 %	
Current and potential DBEs		16.15 %

3. Potential step 2 adjustments for ADOT overall DBE goal for FHWA-funded contracts

Step 2 adjustment component	2017	2020	Explanation
Lower range of overall DBE goal			
Base figure	9.90 %	16.15 %	From base figure analysis
Evidence of current capacity	- 9.20	- 9.63	DBE Uniform Reports (median 3 last years) 2017: FFY 2014—FFY 2016; 2020: FFY 2017—FFY 2019
Difference	<u>0.70 %</u>	<u>6.52 %</u>	
	÷ 2	÷ 2	Reduce by one-half
Adjustment	<u>0.35 %</u>	<u>3.26 %</u>	Downward adjustment for current capacity
Base figure	9.90 %	16.15 %	From base figure analysis
Adjustment for current capacity	- <u>0.35</u>	- <u>3.26</u>	Downward step 2 adjustment
Overall DBE goal	9.55 %	12.89 %	Lower range of DBE goal

4a. Proposed overall DBE goal and neutral projection for FHWA-funded contracts

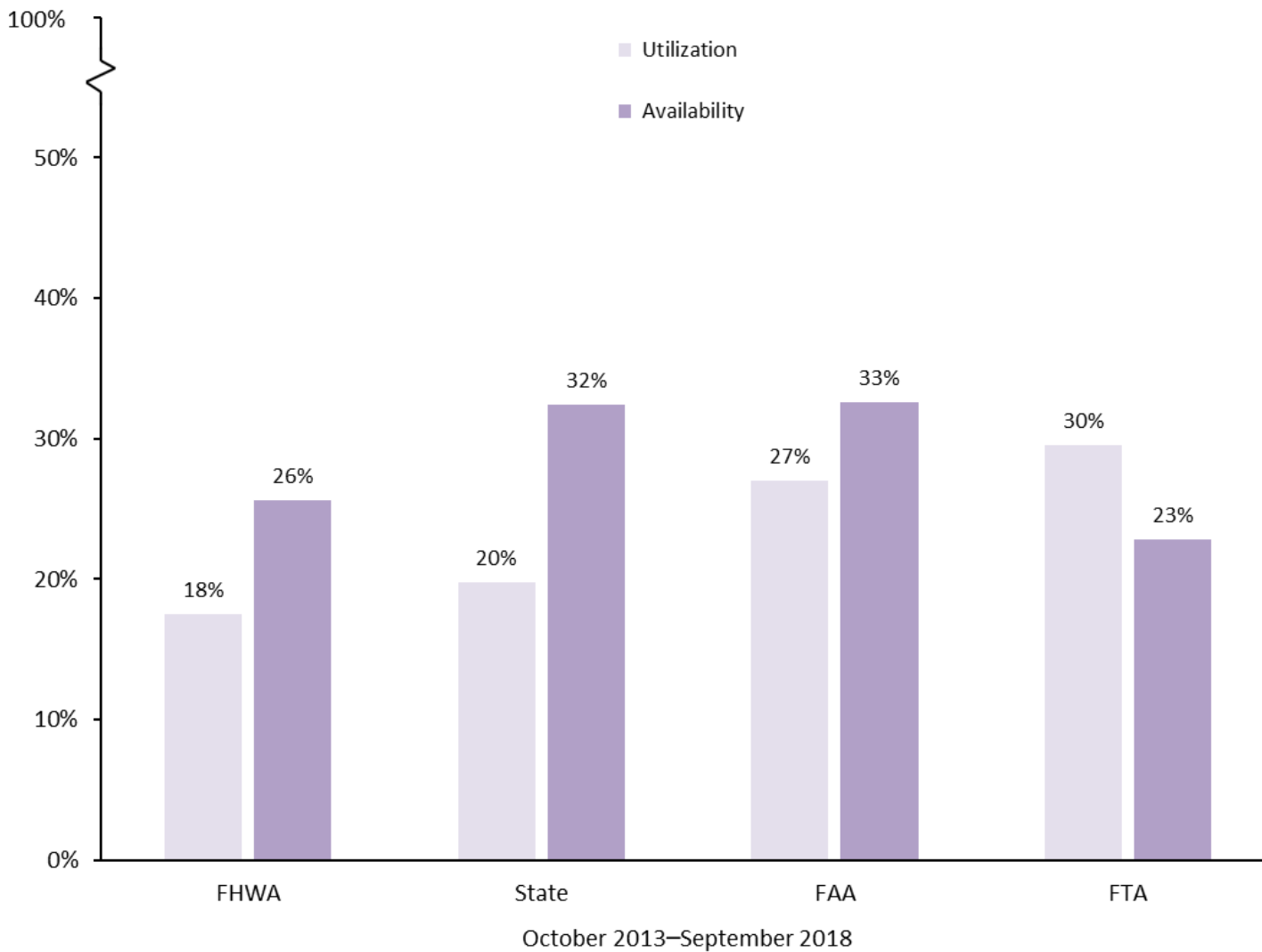
Projection of goal to be met through race- and gender-neutral means, and race- and gender-conscious programs

Component of overall DBE goals	FHWA
Overall goal	12.89 %
Neutral projection	- 4.72
Race-conscious projection	<u>8.17 %</u>
DBE participation from October 2013–September 2018	10.00 %

4b. Examples of neutral measures from other state DOTs (some might not be allowable for ADOT under current state law)

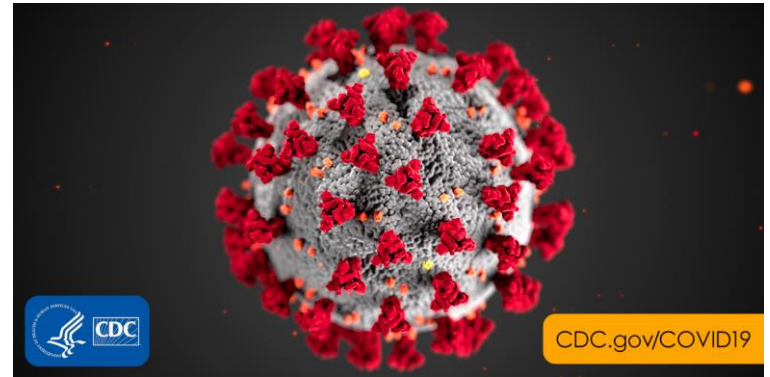
- Small business contract goals programs
- Small prime contracts programs
- Changes to state prequalification systems for contractors
- Unbundling of contracts
- Working capital loan programs
- Bonding programs
- Mentor-protégé programs

5. Utilization and availability of MBE/WBEs on ADOT contracts



6a. Impact of COVID-19

- Keen Independent asking about COVID-19 impacts in interviews with businesses and trade associations in Oregon and Colorado
- Results from 19 interviews of minority-, women- and majority-owned firms and trade associations
- 16 discussed impact of COVID-19



6b. Impact of COVID-19

- Interviewees reported they have been affected, especially by “uncertainty”
- Some indicated impacts including:
 - Having contracts cancelled or delayed (especially private sector)
 - Work opportunities slowing or “drying up”
“When things get uncertain, people stop spending money”
 - Disruptions to supply chain
- Some reported difficulty accessing federal relief programs
- Situation changing fast, “Just in a month ... quite a difference ... It’s a challenge”
- Impacts to both white male-owned firms and MBE/WBEs
- Uncertain how mix of USDOT-funded transportation contracts will change

7. How to give input

- Email the study team: adotdisparitystudy2019@keenindependent.com
- Through study website: www.azdot.gov/DBEDisparityStudy
- Call the study hotline: 602-730-0466
- Or, mail information to:
David Keen, Principal
Keen Independent Research LLC
701 N. 1st St., 2nd Floor
Phoenix, AZ 85004
- Access the full draft 2020 Disparity Study and proposed overall DBE goals at www.azdot.gov/DBEDisparityStudy
- Comments accepted through June 12, 2020