

OVERALL DISADVANTAGED BUSINESS ENTERPRISE GOAL-SETTING METHODOLOGY REPORT FFY 2022-2024

The Illinois Department of Transportation (IDOT) submits its Disadvantaged Business Enterprise (DBE) Overall Goal Setting Methodology Report to the United States Department of Transportation Federal Highway Administration (FHWA) for review and approval. This report has been prepared in compliance with 49 CFR § 26.45, the United States Department of Transportation's (USDOT's) "Tips for Goal Setting," and other official USDOT guidance.

The regulations require that the overall goal be prepared using a two-step process. According to the *USDOT Tips for Goal Setting*¹ approved by the General Counsel of the USDOT, the recipient must first determine a base figure for the relative availability of certified and non-certified minority and woman-owned business enterprises in the relevant market area, hereafter collectively referred to as DBEs. Next, the recipient must examine all relevant evidence to determine what adjustment to the base figure, if any, is needed to arrive at an overall goal. The final adjusted figure is the recipient's overall goal and represents the proportion of federal transportation funding the recipient is expected to allocate to DBEs during the subsequent three federal fiscal years (FFY). Once the adjusted overall goal is determined, the process requires considering what portion of the goal will be met by race- and gender-neutral measures.

If a recipient purports that it can meet its overall goal with race- and gender-neutral measures, those measures must be utilized. In contrast, if the recipient determines it cannot achieve the entire overall goal using only race- and gender-neutral measures, it must establish a race- and gender-conscious portion of the overall goal.²

Based on the requirements set forth in 49 CFR Part 26 and official USDOT guidance, the Illinois Department of Transportation is submitting a goal for FFY 2022-2024. The recommended overall DBE goal for this period is **17.00 percent**. IDOT expects to meet **1.80 percent** of this goal through race-neutral means and **15.20 percent** through race-conscious means.

¹ United States Department of Transportation, "Tips for Goal Setting in the Disadvantaged Business Enterprise (DBE) Program," <https://www.transportation.gov/osdbu/disadvantaged-business-enterprise/tips-goal-setting-disadvantaged-business-enterprise>

² 49 CFR Part 26, §26.51(f)(1), §26.51(d)

OVERALL GOAL-SETTING METHODOLOGY

STEP ONE: DETERMINING A BASE FIGURE – 49 CFR PART 26.45 (c)

Under the regulations, IDOT began the goal-setting process by determining a base figure for relative availability of DBEs. The base figure is intended to be a measurement of the current ready, willing, and able DBEs as a percentage of all ready, willing, and able businesses to perform the recipient’s anticipated FHWA-assisted contracts.³

Several options are available for establishing a base figure for relative availability of DBEs. The options utilized in this methodology include:

- **DBE Directories and Census Data Method** – DBE directories of Illinois USDOT recipients are consolidated into the Illinois Unified Certification Program (IL UCP) database. The IL UCP is a “one-stop” certification process for DBEs and includes five local USDOT-funded agencies, including IDOT, City of Chicago, Chicago Transit Authority, Metra, and Pace. Using the IL UCP database to determine DBE availability is limited to USDOT-certified businesses; however, USDOT Tips requires including businesses that are not certified, but are potential DBEs, to determine availability. The website for the United States Bureau of the Census (census.gov) was also a resource for data collection as pertaining to the North American Industry Classification System (NAICS) code of Illinois businesses.⁴
- **Alternative Method(s)** – Alternative methods may be used to determine a base figure for the overall goal. Any methodology used to determine a base figure must be based on demonstrable evidence of the local market conditions and be designed to ultimately attain a goal that is related to the relative availability of DBEs and potential DBEs in the recipient’s market area. The alternative method provides the most flexibility, but it is also subject to a higher level of scrutiny. Some of these examples include, but are not limited to, other IDOT databases such as the Construction Subcontractor Tracking system (CST) and the Certification database (CER) for IDOT’s Bureau of Small Business Enterprises.⁵

A. Base Figure Calculation

The initial phase of the Step One analysis required the compilation of critical data regarding IDOT’s contracting. The relevant data considered for the Step One analysis included the following:

³ United States Department of Transportation, “Tips for Goal Setting in the Disadvantaged Business Enterprise (DBE) Program.”

⁴ The Census Bureau’s County Business Pattern (CBP) data are derived from business federal income tax filings and, therefore, cannot address businesses’ willingness to do business with IDOT. Additionally, the CBP does not have the functionality to filter Caucasian male-owned businesses that work exclusively in the private sector, or those not interested in contracting with IDOT. Essentially, the CBP over-counts Caucasian males and the IL UCP under-counts DBEs, thus this method understates the relative availability of DBEs.

⁵ One valuable resource in particular was the United States Office of Personnel Management’s website, which listed all recipients of Paycheck Protection Program (PPP) loans by state (<https://www.federalpay.org/paycheck-protection-program>).

* Definition of the market area from an analysis of contracts awarded July 1, 2019 to June 30, 2020.

* Classification of procurement areas by NAICS code.

1. IDOT’s Relevant Market Area

The relevant market area was determined to specify the geographical area for seeking available businesses. A cluster analysis by business location and award amount was prepared using data from the prime contracts awarded during the study period of July 1, 2019 to June 30, 2020. As set forth in 49 CFR Part 26, to be certified as a DBE, a business must be a for-profit entity that is at least 51 percent owned by one or more individuals who are socially and economically disadvantaged. Therefore, all procurement with non-profits and other government agencies were excluded from the analysis. The analysis revealed that 95.9 percent of the contract dollars were awarded in the State of Illinois, indicating that Illinois should be considered the relevant geographic market area.⁶ Table 1 presents the market area findings.

Table 1: Location of Contracts Awarded during the Study Period

BUSINESS LOCATION	TOTAL CONTRACTS	PERCENT OF DOLLARS
State of Illinois	892	95.9%
Outside of Illinois	38	4.1%
TOTAL	930	100.0%

2. Classification of Procurement Areas by NAICS Codes

All contracts awarded during the study period were classified using a combination of sources. The primary source was a description of the contracts awarded **July 1, 2019 to June 30, 2020**. The balance was classified by Internet research. Table 2 below presents the NAICS codes and industries that were represented in IDOT’s 2019-2020 contracts.

⁶ For perspective, IDOT’s DBE Goal Document submitted in 2012 revealed that 94.06% of IDOT’s transportation-related construction and professional services contracting dollars went to Illinois businesses in State Fiscal Year 2011, and the 2017 Disparity Study commissioned by IDOT revealed that 88% of total contract dollars went to Illinois businesses during Federal Fiscal Years 2013-2016.

Table 2: 2019-2020 Contracts - NAICS Titles and Industries Represented

NAICS CODE	INDUSTRY	NAICS TITLE
238210	Construction	Electrical Contractors
238340		Tile and Terrazzo Contractors
238910		Site Preparation Contractors
237310		Highway, Street, and Bridge Construction
237990		Other Heavy and Civil Engineering Construction
236210		Industrial Building Construction
238110		Poured Concrete Foundation and Structure Contractors
541330		Architecture and Engineering
541620	Environmental Consulting Services	
541380	Testing Laboratories	
541611	Administrative Management and General Management Consulting Services	
541614	Transportation Management Consulting Services	
541430	Graphic Design Services	

B. Base Figure Determination

The base figure is intended to be a measurement of the relative percentage of ready, willing, and able businesses that are DBEs. The recipient is required to measure willing and able businesses in its marketplace, using the best available evidence, to derive a fair and accurate base figure that represents the percentage of available DBEs. According to Section 26.45(c) and *USDOT Tips*, the overall goal must be based on demonstrable evidence of available ready, willing, and able DBEs relative to all ready, willing, and able non-DBEs to participate on IDOT’s federally assisted contracts.

Several sources were used to identify businesses in the market area that provide construction and architecture and engineering services that IDOT procures. Sources included government listings and databases, certification lists, unsuccessful bidders, and listings of firms by NAICS category who received Paycheck Protection Program (PPP) loans.

1. Relative Base Figure

USDOT Tips requires the calculation of the relative base figure by dividing the number of market area DBEs by all market area businesses (DBEs and non-DBEs), which produces a relative base figure of **21.50 percent**, as shown in Table 3. This number is simply the percentage of DBEs in the market area. The relative base figure calculation essentially over counts the number of available DBEs as it assumes that every DBE has equal weight and equal opportunity to perform IDOT contracts. However, in the practical application of the overall DBE goal, not all DBEs have equal opportunity for participation as opportunity is dependent on the spent amount in each NAICS code. To more accurately reflect the nature and scope of work, *USDOT Tips* recommends the following formula to calculate availability:

Relative Base Figure = $\frac{\text{Ready, willing, and able DBEs}}{\text{All ready, willing, and able businesses (Including DBEs and non-DBEs)}}$

Relative Base Figure of **21.50%** = $\frac{\text{865 DBEs}}{\text{4023 Total Businesses}}$

Table 3: Relative Base Figure

NAICS CODE	NUMBER OF AVAILABLE BUSINESSES		PERCENT OF AVAILABLE BUSINESSES		
	DBEs	All	DBEs	Non-DBEs	All
238210	70	264	1.74%	4.82%	6.56%
238340	20	82	0.50%	1.54%	2.04%
238910	107	628	2.66%	12.95%	15.61%
237310	199	641	4.95%	10.98%	15.93%
237990	6	67	0.02%	1.65%	1.67%
236210	6	141	0.02%	3.48%	3.50%
238110	37	385	0.92%	8.65%	9.57%
541330	173	966	4.30%	24.01%	28.31%
541620	24	81	0.60%	1.41%	2.01%
541380	7	126	0.02%	3.11%	3.13%
541611	177	434	4.40%	6.39%	10.79%
541614	10	32	0.25%	0.55%	0.80%
541430	29	176	0.72%	3.65%	4.37%
TOTAL	865	4023	21.50%	78.50%	100.00%

2. Weighted Base Figure

IDOT believes that this relative base figure calculation over-counts the number of available DBEs as it assumes that every DBE has an equal opportunity and equal weight to perform IDOT contracts. However, in the practical application, not all DBEs have equal opportunity for participation as opportunity is dependent on the amount of dollars spent in each NAICS code. Therefore, to more accurately reflect the relative availability of DBE firms, as recommended by the USDOT, IDOT performed a weighted calculation of availability.

Before a weighted calculation was undertaken, IDOT examined the awarded contract amounts per NAICS code, with the results listed in Table 4 below:

Table 4: Awarded Contract Amounts Per NAICS Code

NAICS CODE	NUMBER OF AVAILABLE BUSINESSES		AWARDED CONTRACT AMOUNT
	DBEs	All	
CONSTRUCTION NAICS			
238210	70	264	\$24,101,016
238340	20	82	\$772,041
238910	107	628	\$142,660,886
237310	199	641	\$1,457,823,361
237990	6	67	\$25,412,183
236210	6	141	\$103,578,043
238110	37	385	\$341,738,436
TOTAL CONST.	445	2208	\$2,096,085,966
ARCHITECTURE AND ENGINEERING NAICS			
541330	173	966	\$2,420,921
541620	24	81	\$24,818,770
541380	7	126	\$28,584,874
541611	177	434	\$3,714,580
541614	10	32	\$5,312,639
541430	29	176	\$14,743,228
TOTAL A&E	420	1815	\$79,595,012
TOTAL	865	4023	\$2,175,680,978

When the awarded contract amounts are taken into consideration, 96.34% of contract dollars were awarded to firms representing the Construction NAICS Codes, and just 3.66% were awarded to firms in the Architecture & Engineering NAICS Codes. This strongly suggests the need for a weighted base figure. According to *USDOT Tips*, “weighting can help ensure that your Step One Base Figure is as accurate as possible. While weighting is not required by the rule, it will make your goal calculation more accurate.” Thus, the new formula becomes:

[.96 (Construction DBEs / All Construction Firms) + .04 (Architecture and Engineering DBEs / All Architecture and Engineering Firms)] x 100 = Step One Base Figure, weighted by type of work to be performed.

$$[.96 (445/2208) + .04 (420/1815)] \times 100 =$$

$$[.96 (.2015) + .04 (.2314)] \times 100 = [.1934 + .0093] \times 100 = \mathbf{20.27}$$

Thus, the weighted base figure is **20.27%**.

STEP TWO: BASE FIGURE ADJUSTMENT – 49 CFR PART 26.45 (d)

A. DBE Past Participation

The Step Two base figure adjustment, as recommended in *USDOT Tips*, requires examining relevant and reliable data in the recipient’s market area to determine if an adjustment to the base figure is warranted. The consideration of an adjustment is intended to account for any impact the relevant factors may have on DBEs’ contracting opportunities with IDOT.

Among the many factors suggested in *USDOT Tips* for considering the base figure adjustment, the factor of “Past DBE Participation” validates a modest adjustment to the weighted base figure. “Tips for Goal Setting” suggests that agencies should examine data on past DBE participation in their USDOT-funded contracts in recent years. USDOT further suggests that agencies should choose the median level of annual DBE participation for those years as the measure of past participation.

Table 5 represents past DBE participation based on IDOT’s Uniform Reports of DBE Awards or Commitments and Payments as reported to FHWA. According to these Uniform Reports, median DBE participation in FHWA-funded contracts from FFYs 2018 through 2020 was **13.49 percent**.

Table 5: Past Certified DBE Participation in FHWA-Funded Contracts, FFY 2018-2020

FEDERAL FISCAL YEAR	DBE ATTAINMENT	ANNUAL DBE GOAL	DIFFERENCE
2018	13.49%	18.70%	- 5.21%
2019	15.05%	18.70%	- 3.65%
2020	13.06%	18.70%	- 5.64%

The large difference between the Step One weighted base figure of 20.27% and the median past DBE participation (13.49%) indicates that the capacity of DBEs to perform highway project work does not match the mere availability of such firms and suggests that an adjustment of the Step One figure is warranted. By factoring in the average of median past participation and the weighted base figure, IDOT has determined an adjusted base figure of **17.00 percent**.

IDOT understands the overall DBE goal to be an aspirational one, which would reflect the level of DBE participation in the absence of discrimination in the marketplace.

B. Race and Gender-Neutral Goal

The final requirement of the goal-setting process is to determine the portion of the overall goal that will be achieved by race- and gender-neutral means. As required by 49 CFR 26.51, the maximum feasible portion of the overall DBE goal should be achieved using race- and gender-neutral means. The median past race- and gender-neutral DBE participation through Federal Fiscal Years 2018 through 2020 was 1.8 percent, as indicated in Table 6 below. Consequently, IDOT projects that it shall meet **1.8 percent** of its overall DBE goal through race- and gender-neutral measures and **15.2 percent** through race- and gender-conscious measures.

Table 6: Race-Neutral as % of DBE Expenditures, FFY 2018-2020

Federal Fiscal Year	Total amount of expenditures (Federally assisted contracts)	Actual Amount of Expenditures to DBEs	R/C (% of DBE Expenditures)	R/N (% of DBE Expenditures)
2018	\$930,850,365	\$115,703,367	98.2%	1.8%
2019	\$1,030,467,180	\$181,814,869	99.1%	0.9%
2020	\$467,035,725	\$87,586,873	97.5%	2.5%
SOURCE: Uniform Report of DBE Commitments / Awards and Payments				

C. Public Participation Process

As communicated to the FHWA before submission of this Methodology, the required public participation process has not yet been fulfilled due to technical issues. It is IDOT’s intention to update FHWA once the 30-day requirement has been met and to provide FHWA with any changes or additions to this current document, including IDOT’s considerations of public comments and any adjustments to the base figure as a result of those comments.