DEPARTMENT OF TRANSPORTATION

Fiscal Year 2017-2018 Report

Highway Construction Training and Disadvantaged Business Enterprise Program

February 1, 2019

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Legislative Request

This report is issued to comply with Minnesota Statutes 174.03, subdivisions 10 and 11.

Minnesota Statutes 174.03, Subdivision 10. **Highway construction training; report.**

(a) The commissioner of transportation shall utilize the maximum feasible amount of all federal funds available to this state under United States Code, title 23, section 140, paragraph (b), to develop, conduct, and administer highway construction training, including skill improvement programs.
(b) The commissioner of transportation must report by February 1 of each odd-numbered year to the house of representatives and senate committees having jurisdiction over transportation policy and finance concerning the commissioner's compliance with paragraph (a). The report must, with respect to each of the two previous calendar years:
    (1) describe the highway construction training and skill improvement programs the commissioner has conducted and administered;
    (2) analyze the results of the commissioner's training programs;
    (3) state the amount of federal funds available to this state under United States Code, title 23, section 140, paragraph (b); and
    (4) identify the amount spent by the commissioner in conducting and administering the programs.

Subdivision. 11. **Disadvantaged business enterprise program; report.**

(a) The commissioner shall include in each contract that is funded at least in part by federal funds, a sanction for each contractor who does not meet the established project disadvantaged business enterprise goal or demonstrate good-faith efforts to meet the goal.
(b) The commissioner of transportation shall report by February 1 of each odd-numbered year to the house of representatives and senate committees having jurisdiction over transportation policy and finance concerning the commissioner's disadvantaged business enterprise program. The report must, with respect to each of the two previous calendar years:
    (1) state the department's annual overall goal, compared with the percentage attained;
    (2) explain the methodology, applicable facts, and public participation used to establish the overall goal;
    (3) describe good-faith efforts to meet the goal, if the goal was not attained;
    (4) describe actions to address overconcentration of disadvantaged business enterprises in certain types of work;
    (5) state the number of contracts that included disadvantaged business enterprise goals, the number of contractors that met established disadvantaged business enterprise goals, and sanctions imposed for lack of good-faith effort; and
    (6) describe contracts with no disadvantaged business enterprise goals, and, of those, state number of contracts and amount of each contract with targeted groups under section 16C.16.

The cost of preparing this report is under $5,000.

Overview of MnDOT's Civil Rights Programs

The Office of Civil Rights at the Minnesota Department of Transportation is responsible for the administration and management of the department's civil rights programs that apply to MnDOT's contracting –related activities. State or federal laws and regulations authorize these programs. In general, federal programs only apply to contracts that are federally funded. For contracts that are not federally-funded, state civil rights programs may be applicable.

Table 1: List of OCR Programs: Funding Source Determines Which Programs Apply

Programs	State-funded Contracts	Federally-funded Contracts
Workforce & EEO Contract Compliance	✓	✓
On-the-Job Training		✓
Disadvantaged Business Enterprises		✓
Targeted Group Business	✓	
Veteran-owned Small Business	✓	
Title VI	✓	✓

Workforce and Equal Employment Opportunity Contract Compliance

MnDOT is responsible for monitoring the employment practices of contractors working on its road construction projects. In addition to reviewing the contractor's compliance with provisions to ensure a discrimination-free workplace, the review includes the following:

- Ensuring contractors demonstrate good-faith efforts to recruit and hire women and minorities
- Reviewing the performance of contractors towards achieving the employment goals applicable to a specific project
- Verifying contractors properly incorporate federal employment-related contract requirements
- Establishing contractor corrective action and accountability plans

On-the-Job Training

The On-the-Job Training program is a federal mandate requiring MnDOT to set goals for the employment of minorities, women and disadvantaged persons as entry-level trainees in the construction trades. The program provides equal opportunity for the training and upgrading of traditionally underrepresented persons in highway heavy construction careers. The OJT trainee's objective is to reach journey worker status or become skilled in a trade.

MnDOT OCR collaborates and partners with many stakeholders to provide construction-related trainings, educational courses and apprenticeship opportunities for underrepresented groups.

Disadvantaged Business Enterprise

The Disadvantaged Business Enterprise program is a federal initiative that aims to increase the participation of women and minority-owned small businesses on federally-funded projects by assigning a DBE project participation goal.

The goal is achieved when a certain percentage of the project work is performed by certified DBE firms. The DBE can be a prime contractor or a subcontractor for a project.

The criteria to determine eligibility of DBE firms is established in the federal regulations and the Minnesota Uniform Certification Program, a multi-agency committee that includes MnDOT, which manages matters related to certification. MnDOT OCR administers the DBE program by performing a variety of functions such as certifying DBE firms, assigning project goals, confirming good-faith efforts are made by contractors prior to contract award, and monitoring the project to ensure DBEs perform the work as contracted.

Targeted Group Business

Similar to the federal DBE program, the objective of the state Targeted Group Business program is to increase opportunities for traditionally under-utilized businesses in MnDOT construction contracts. The program allows for TGB participation goals and preferences on state-funded projects.

A certified TGB that bids as a prime may be granted a preference for the purpose of ranking bids; or, a TGB may execute a subcontract with a prime contractor to perform specific functions of a contract thereby fulfilling the project goal. Certifications of TGB firms are administered by the Minnesota Department of Administration.

Veteran-owned Small Business Program

The Veteran-owned Small Business Program creates opportunities for veteran-owned certified small businesses to participate in MnDOT state-funded projects. The program assists certified firms bidding as a prime by allowing a preference in the ranking of bids. Project goals are established and the use of certified firms counts towards achievement of the project goal. The U.S. Department of Veteran Affairs and the Minnesota Department of Administration certify firms as veteran-owned small businesses.

Title VI

OCR is responsible for shared monitoring and coordination of MnDOT's compliance with USDOT Title VI Regulations. This includes the Title VI Implementation Plan, sub-recipient compliance reviews, limited English proficiency activities, outreach, engagement and training.

The following OCR legislative report is focused on the DBE, OJT and TGB programs as statutorily required.

Executive Summary

Purpose and Scope of Report

This Highway Construction Training and Disadvantaged Business Enterprise Program report is prepared in response to Minn. Stat. 174.03, Subd.10 and 11. A report is required by Feb. 1 of each odd-numbered year. This report covers 2017 and 2018. It is current as of January 2019.

Note that the fiscal year for federally-funded programs runs from Oct. 1 through Sept. 30. State-funded programs have a fiscal year that runs from July 1 through June 30

Programs

The DBE and Workforce Collaborative operates as an advisory group to MnDOT regarding the DBE program and workforce initiatives. The role of the collaborative was enacted in the 2010 legislative session, Minn. Stat. 174.186. The collaborative is comprised of numerous transportation and workforce stakeholder groups that provide recommendations for improvement of the Minnesota Department of Transportation Civil Rights programs.

The DBE and Workforce Collaborative established a governance structure that includes a leadership committee comprised of representatives of the various stakeholder groups. The leadership committee is responsible for setting the group's agenda, developing work plans and decision-making on behalf of the larger group. This work is currently under way. MnDOT provides a third-party facilitator who continues to work with the group and facilitate meetings. The DBE and Workforce Collaborative continue to provide annual recommendations for programmatic improvements in small business and workforce initiatives impacting MnDOT Civil Rights programs.

Highway Construction Training

The Federal Highway Administration regulations for the On-the-Job Training Program require MnDOT to establish apprenticeship and training programs that assist women, minorities and disadvantaged persons in gaining entry-level positions in the construction trades. This effort helps those workers acquire the necessary skills to reach journeyworker status, ensuring the availability of a competent workforce. The program addresses the historical under-representation of these groups in highway construction skilled crafts.

Disadvantaged Business Enterprise

The objective of the DBE program is to increase the participation of women and minority-owned small businesses in the award and performance of USDOT-assisted contracts. The program prohibits discrimination and requires MnDOT to take specific steps to ensure these small businesses have access to contract opportunities.

As a recipient of federal funds from the USDOT, MnDOT is required to administer the DBE Program on federally-funded contracts. Federal rules in 49 Code of Federal Regulations Part 26 govern the DBE program and require state and local agencies receiving these funds to establish goals for the participation of DBE firms.

Results

This report outlines activities to develop, conduct and administer highway construction job training and DBE small business programs during the period of 2017 and 2018.

MnDOT's annual FHWA-approved On-the-Job Training goal was 150 trainees in calendar year 2017 and 160 trainees in calendar year 2018. The actual number of minority and women OJT trainees approved for the program was 134 in FFY 2017 and 177 in FFY 2018.

MnDOT's statewide DBE participation on federally-funded transportation projects was 9.3 percent for FFY 2017 and 9.4 percent for FFY 2018, compared to a statewide annual goal of 11.7 percent.

Looking Forward

For the next biennium, MnDOT's civil rights programs will continue to enhance strategies proven successful to grow the OJT opportunities to gain more participants within the program and strengthen relationships between contractors and training programs. This will ensure OJT trainees have the greatest opportunity to achieve journeyworker status.

The DBE program continues to show impressive strides in overall performance despite falling short of the statewide goal. MnDOT remains committed to continuous improvement in these efforts and has retooled OCR, increased staff development and maintained a relationship with the DBE and Workforce Collaborative to make programmatic enhancements to better serve Minnesota.

Highway Construction Training

Purpose of the Program

The FHWA's OJT program addresses the historical under-representation of women, minorities and disadvantaged people employed in highway construction skilled crafts. FHWA rules in 23 CFR, Part 230 requires MnDOT to establish apprenticeship and training programs targeting women, minorities, and disadvantaged people to help them gain entry-level positions in the construction trades and acquire the necessary skills to reach journeyworker status. The OJT program aims to increase the size and competency of Minnesota's highway heavy construction workforce.

The OJT program requires MnDOT contracts to include a provision specifying the number of trainees assigned to various highway construction skilled crafts. If a contractor does not attain the contract-specific trainee goal for the project, the contractor may be subject to administrative sanctions.

Project-Specific OJT Goals

MnDOT's Office of Civil Rights is responsible for setting OJT goals on federally funded projects costing more than $1,000,000 and lasting more than 100 days in duration. OJT trainee goals are based on the following:

- Availability of minorities and women in project vicinity
- Potential for effective training
- Contract duration
- Contract cost
- Total anticipated workforce
- Geographical location
- Type of contract work required
- Need for journeyworkers in the area and by the type of trade
- Statewide goal
- Ratio of journey workers to trainees

OJT Alternative Program

In addition to the project-based OJT program, MnDOT offers an OJT Alternative Program. The OJT Alternative Program removes project-specific goals and sets contractor-specific goals, which are assigned for the entire construction season.

Table 2: OJT Alternative Program Participants

2017	2018
Ames Construction, Inc.	Ames Construction, Inc.
Lunda Construction Company	Lunda Construction Company
The Mathiowetz Construction Co.	Shafer Contracting Co., Inc.
Shafer Contracting Co., Inc.	

2017 and 2018 OJT Data

The breakdown of OJT trainees by trade, gender and minority status is provided in Table 3 and Table 4.

Table 3: On-the-Job Training Program: Federal Fiscal Year 2017

OJT Job Categories	*Number of Trainees*			
	Non-Minority Male	Non-Minority Female	Minority Male	Minority Female
Carpenter	0	0	4	0
Cement Mason	0	0	3	1
Electrician	0	1	1	0
Iron Worker	0	1	0	0
Laborer	1	10	47	8
Mechanic	0	0	0	0
Operating Engineer	1	15	13	3
Pile Driver	0	0	2	0
Pipelayer	0	1	1	0
Truck Driver	0	3	10	2
Engineer	0	4	2	0
Total	2	35	83	14
Percentage of Total	2%	26%	62%	10%

2017 Annual OJT Placement Goal	Actual 2017 OJT Placements
150	134

Table 4: On-the-Job Training Program: Federal Fiscal Year 2018

OJT Job Categories	*Number of Trainees*			
	Non-Minority Male	Non-Minority Female	Minority Male	Minority Female
Carpenter	0	1	9	3
Cement Mason	0	0	10	0
Electrician	0	0	6	0
Iron Worker	0	0	0	0
Laborer	0	18	57	15
Mechanic	0	0	0	0
Operating Engineer	1	14	13	5
Pile Driver	0	3	9	0
Pipelayer	0	0	0	0
Truck Driver	0	4	5	1
Engineer	0	2	1	0
Total	1	42	110	24
Percentage of Total	0%	24%	62%	14%

2018 Annual OJT Placement Goal	Actual 2018 OJT Placements
160	177

The success rate in placing OJT trainees on federally funded projects with OJT goals depends on a number of factors, including the project location, type of highway construction work, availability of qualified OJT trainees, willingness of OJT trainees to travel and the time of year in which project is let. Typically, a project let and awarded prior to the start of the construction season gives both the contractor and employment referral sources, including community-based organizations, enough time to place OJT trainees. This includes sufficient time to advertise open positions and offers more opportunity for community-based organizations to recruit, orient and properly train an applicant prior to placement.

MnDOT On-the-Job Training Supportive Services Program

The purpose of MnDOT's On-the-Job Supportive Services Program is to develop projects and initiatives that will enhance the state's administration of the federal OJT program and to increase the pool of qualified minorities, women and disadvantaged individuals in the highway heavy construction trades. The operation of the OJT/SS program is funded primarily with federal dollars. The types of activities these funds can be used for include: recruitment, skills training, job placement, child care, outreach, transportation to work sites, post-graduation follow-up, job site mentoring, pre-employment assessment, mediation and pre-and post-employment counseling.

The program was redesigned in 2016 after completion of a needs assessment survey and the feedback received from program participants, administrators and the construction trades industry. The training is comprised of two components: job skills success and hands-on technical training. Participants are provided assistance with obtaining employment and being retrained in a construction trades career for up to two years. The budget for OJT Supportive Services Program is broken into the following categories:

- Construction Trades Highways Heavy Training
- Tribal Construction Trades Highway Heavy Training
- National Summer Training Institute
- Business Training and Technical Assistance

Construction Trades Highway Heavy Training

This consists of specific trades training designed to meet the requirements and expectations of contractors that are awarded road construction projects by MnDOT. Highway heavy trades include, but are not limited to the following: Equipment Operators, Laborers, Carpenters, Truck Drivers, Iron Workers and Cement Masons.

During the reporting period MnDOT's OCR contracted with the Minnesota Department of Employment and Economic Development, Merrick Community Services, Summit Academy Opportunities Industrialization Center, Dakota County Tech-College and Southeastern Minnesota Private Industry Council to provide entry-level highway heavy construction training to new trainees in this type of work. These partner agencies work with trade unions and educational institutions to train and place women, minorities and disadvantaged individuals in construction trade careers. Case management and supportive services such as child care, transportation assistance, tools and safety equipment are provided to support graduates during their initial period of highway heavy employment.

- DEED delivered training in St. Paul. The training curriculum included teaching skills for an entry level general laborer, such as introduction to OSHA, fall protection, electrical, personal protective and lifesaving equipment, ladders and materials handling. 37 people graduated from the program.

- Merrick Community Services worked on the concept and curriculum to create an OJT recruiting and screening strategy for a highway heavy training program.
- Southeastern Minnesota Private Industry Council recruited, screened and provided highway heavy construction training for women, minorities and disadvantaged individuals living in Southeast Minnesota. 16 people graduated from the program.
- Dakota County Technical College provides CDL training for women, minorities and disadvantaged individuals to increase participation in MnDOT highway heavy projects. Seven people graduated from the program.
- SAOIC provided carpentry and heavy equipment operator training. 32 graduated from the program.
- During the reporting period, 92 students graduated and 31 graduates of these programs were placed on highway heavy projects in FY 2017 and 2018.

Tribal Construction Trades Highway Heavy Training

This training in highway heavy trades is specifically targeted towards federally recognized tribes and tribal colleges/universities in Minnesota. It is important that MnDOT identify additional trades training resources for tribal entities in the state. This importance is relevant because of the relationship with sovereign governments and because Native Americans are the primary group in greater Minnesota that remain underserved in MnDOT's programs and activities.

During the reporting period MnDOT's OCR contracted with the following tribal partners to build a more diverse construction labor pool:

- The Cement Masons Plasterers program trains members of Fond du Lac, Leech Lake, Bois Fort, Mille Lacs, Red Lake and White Earth members in cement masonry. The training is provided by the Local 633 Training Center. A total of 25 graduated from the program and 20 graduates were placed on highway heavy projects.
- The Bois Forte Band of Chippewa trains members of the Bois Forte Band in highway heavy construction using on-the-job training and supportive services.

National Summer Training Institute

The NSTI is an educational initiative established by the United States Department of Transportation and the FHWA to create awareness and stimulate interest among middle and high school-age participants, to take maximum advantage of career opportunities that exist in the transportation industry. The program also seeks to attract a broad and diverse selection of bright minds and acquaint those minds with the various aspects of the transportation industry to increase participants in the transportation industry. It is the intent of FHWA that state DOTs solicit the participation of historically black colleges and universities, tribal colleges and universities and other minority institutions of higher education. MnDOT administers the NSTI on behalf of FHWA in Minnesota.

MnDOT's OCR contracted with the Center for Transportation Studies at the University of Minnesota to host the NSTI program.

- In FFY 2017, there was a total of 31 participants in the two-week institute.
- In FFY 2018, there was no funding.

Business Training and Technical Assistance

MnDOT contracts with third party vendors to provide training and technical expertise for certified small businesses so they may compete more effectively for MnDOT contracts. These services are organized and focused on six impact areas, including:

- Growing the DBE pool
- Building DBE firm capacity
- Increasing the technical expertise of DBE firms
- Building financial literacy of DBE firms
- Promoting the Mentor/Protégé program
- Developing the DBE Academy

This is done through in-depth, one-on-one business assessments and the development of customized business plans for certified DBE firms. Additional resources and technical assistance are made available through classroom and individual technical training components that increase participant's technical knowledge and may include the following types of training:

- bidding and estimating
- legal aspects in business
- job-costing
- critical path scheduling
- accounting
- one-on-one technical coaching and development

There are also classroom trainings on topics specific to MnDOT such as contract specifications, prevailing wage, how to submit a claim, how to get products on the state's approved product list, how to locate resources, how to identify contracting opportunities and do business with MnDOT. MnDOT entered into an agreement with Women Venture to administer the Working Capital Loan Fund program and to provide financial training, support and assistance for DBEs who have been awarded a MnDOT contract or who may be considering bidding on a project. MnDOT has also partnered with MaKee Company to develop a DBE Learning Hub site and Small Business Resource Center offering small businesses education, training and resources to foster small business growth.

The ultimate goal is to assess small businesses, identify their needs and growth opportunities, and then provide the appropriate tools, resources and technical assistance that work best to connect the business with procurement opportunities and training initiatives in Minnesota.

Federal Funds Available

MnDOT is permitted to use a portion of Minnesota's USDOT funding for the purpose of providing job training supportive services for women and minorities; and business development assistance to DBE firms. MnDOT's OCR provides these programs statewide to improve opportunities for women and minorities and increase their eligibility for MnDOT contracts and projects.

MnDOT uses these supportive services to assist contractors in meeting the goals and objectives of the OJT Program and small business development efforts. These programs focus on increasing the effectiveness of construction training programs, the number of opportunities for minorities and women to gain entry into the highway heavy construction industry and provide recruitment, counseling and remedial training. The funds are used for program administration and outreach activities conducted by third parties.

Program Funding – Current and Future

OCR strives to make practical and effective use of Minnesota's Apportionment from the USDOT Federal-Aid Highway Program under Fixing America's Surface Transportation (FAST) Act to the supportive services programs for workforce development, job training, DBE capacity building, small business training, outreach, monitoring and enforcement related to highway construction and professional technical contracts.

Table 5 displays the limit of Minnesota's USDOT Federal-Aid Highway Supportive Services Program Apportionment and Special Allocations awarded by FHWA for the current years and forecasted for years 2019-21. Table 5 also displays the actual MnDOT authorization amount awarded by FHWA for the current years and forecasted for years 2019-21.

Table 5: Available Funding as a Percentage of Federal Monies (in millions of dollars)

	2017	2018	2019*	2020*	2021*
Apportionment	$931,890	$953,308	$973,589	$996,900	$1,021,400
Special Allocation Supportive Services	$768,110	$746,692	$726,411	$703,100	$678,600
Total	$1,700,000	$1,700,000	$1,700,000	$1,700,000	$1,700,000
Authorizations Awarded	$1,313,965	$970,569	$1,700,000	$1,700,000	$1,700,000

*These amounts are forecasted.

MnDOT forecasts full utilization of program funding; however, actual expenditures are dependent upon program development, contract execution, commencement of work and other similar factors. MnDOT expended approximately $2.5 million for the reporting years 2017 and 2018. This amount is less than previously forecasted and less than one-half of one percent of the federal appropriations. Although OCR did not fully maximize the allocated funds displayed in Table 6 (below) for 2017 and Table 7 (below) for 2018, OCR continues to work with stakeholder groups to develop a comprehensive supportive services plan for more training opportunities tailored to meet the needs of the participants.

Table 6: Fiscal Year 2017 Program Expenditures

Program Type	Program Description	Actual Expenditures
Construction Trades Highway Heavy Training	Highway heavy construction training for women and minorities to work within the construction industry	$402,660.38
Tribal Construction Trades Highway Heavy Training	Highway heavy construction training for tribal women and minorities to work within the construction industry	$164,893.19
National Summer Training Institute	Summer program to introduce high school juniors and seniors to careers in transportation	$24,907.59
Business Training and Technical Assistance	Certified DBE training courses including intensive bidding and estimating, accounting and marketing; working capital loan fund administration, research and analysis for the three-year statewide DBE goal	$580,527.31
Total Expenditures		$1,189,169.62

Table 7: Fiscal Year 2018 Program Expenditures

Program Type	Program Description	Actual Expenditures
Construction Trades Highway Heavy Training	Highway heavy construction training for women and minorities to work within the construction industry	$616,114.02
Tribal Construction Trades Highway Heavy Training	Highway heavy construction training for tribal women and minorities to work within the construction industry	-
National Summer Training Institute	Summer program to introduce high school juniors and seniors to careers in transportation	$38,513.98
Business Training and Technical Assistance	Certified DBE training courses including intensive bidding and estimating, accounting and marketing; working capital loan fund administration, research and analysis for the three-year statewide DBE goal	$657,294.03
Total Expenditures		$1,311,922.03

Disadvantaged Business Enterprise Program

Description of Program

The DBE program prohibits the exclusion of any person from participation in the award and performance of any contract on the basis of race, color, sex or national origin. The program seeks to create a level playing field, resulting in increased participation by woman and minority-owned business enterprises in state and local procurement. The state transportation agency is required to apply the DBE program according to the rules and guidelines established in the Code of Federal Regulations, Title 49, Part 26.

The main objectives of the DBE program are:

- Ensure DBE's can compete fairly for federally funded transportation projects
- Ensure that only eligible firms participate as DBE's
- Assist DBE firms in competing outside the DBE program

As a recipient of USDOT financial assistance, MnDOT is required to establish goals for the participation of disadvantaged business enterprises and certify their eligibility to participate in federally- assisted contracts. The federal DBE regulations require MnDOT to establish statewide DBE goals and contract-specific DBE subcontracting goals. Goals are expressed as the percentage of the estimated contract value that is targeted for performance by DBE firms and are established to ensure these firms have an opportunity to participate in federally-assisted procurements and projects.

Definition and Requirements of DBE Participation

DBE firms are for-profit small businesses in which socially and economically disadvantaged individuals own at least a 51 percent interest and have control and management of daily business operations.

To participate in the DBE program, a small business owned and controlled by socially and economically disadvantaged individuals must first receive DBE certification from a state certifying agency. In Minnesota, DBE certification is administered by the Minnesota Unified Certification Program, which is comprised of MnDOT, the Metropolitan Council, the Metropolitan Airports Commission and the City of Minneapolis. An eligible DBE owner must have a personal net worth that does not exceed $1.32 million. The business must also meet federal small business size criteria and have average annual gross receipts that do not exceed $23.98 million.

Annual Statewide Goal and Attainment Rate

The federal DBE regulations require state and local transportation agencies that receive USDOT financial assistance to establish annual DBE goals and contract-specific DBE subcontracting goals. MnDOT's statewide DBE goal for overall participation of DBE firms operating as a prime or as subcontractors is 11.7 percent for FFY 2016-2018. The commitment rate achieved was 9.3 percent for FFY 2017 and 9.4 percent for FFY 2018.

Goal Methodology and Public Participation

The overall statewide DBE goal of 11.7 percent for FFY 2016-2018 was established using the factors described in 49 CFR Part 26.45 . In broad terms, this was a two-step process:

- Evaluate the availability of DBEs; and
- Calculate the appropriate adjustment to account for other relevant information.

When establishing the goal, the agency was required to take public comments and provide an opportunity for certified DBEs and non-DBE firms to participate and comment. MnDOT's Office of Civil Rights retained the University of Minnesota, Roy Wilkins Center for Human Relations and Social Justice, to conduct an availability study and propose a methodology to set the annual DBE goal. Availability rates were computed from multiple data sets and were appropriately weighted to calculate the base goal. OCR conducted four public meetings to receive comment on the proposed goal. MnDOT held these public meetings in Duluth, Arden Hills, Rochester and at Summit Academy in Minneapolis; Summit Academy hosted the event for the Collaborative Group, which is made up of contractors (prime and sub), community members and MnDOT personnel.

Table 8: Annual Commitment Goals and Actual Commitment Achieved

Federal Fiscal Year	Statement DBE Commitment Goal	Dollar Amount*	Commitment Rate Achieved	Dollar Amount*
2017	11.7%	$624,527,595	9.3%	$58,250,670
2018	11.7%	$582,865,670	9.4%	$54,947,779

*Total federal funds awarded to DBEs

The "MnDOT Methodology for Computing Proposed FHWA DBE Goals FFY2016-2018" is provided in Appendix C.

Good-faith Efforts to Meet the Annual Goal

As a recipient of FHWA funds, MnDOT is required to help increase DBE participation in federally-funded contracts. MnDOT pursued a number of strategies during the reporting period to increase opportunities for DBEs to participate. MnDOT worked to improve outreach opportunities for DBEs by alerting them to pre-letting meetings and other networking opportunities to raise their profiles among prime contractors and plan and prepare for lettings. DBE business development services, such as the mentor-protégé program, working capital loan fund, one-on-one estimating and bidding assistance, and business development classes, were conducted during the reporting period to help existing DBEs increase their ability to compete for federally funded projects.

- Nine mentor-protégé arrangements were active during the reporting period. A mentor-protégé arrangement exists when an experienced company or individual (mentor) provides assistance and training to a certified DBE (protégé). The arrangement can range from technical or management assistance for the creation of a new, jointly-owned firm. Equipment usage, bonding and record keeping are examples of common types of assistance that a mentor may provide a protégé. Applications for the mentor-protégé program are reviewed and approved by the Minnesota Unified Certification Program.

- MnDOT has authority for a Working Capital Loan Fund. MnDOT contracts with a third party administrator to manage the fund. The purpose of the fund is to offer working capital loans to eligible DBEs that provide financial assistance while working on MnDOT projects. The contract with the previous third-party administrator ended, and MnDOT is seeking a new administrator for the available funds.

- Over the course of the previous administration of the Working Capital Loan Fund, which began in 2010 and ended at the close of FY2015, the program served 64 applicants by providing financing for firms seeking working capital, project mobilization, payroll, materials, and small equipment rentals. MnDOT is in the process of finding a new administrator for the fund so that this successful program will continue to benefit DBE firms in the future. (Women Venture is currently administrating the Working Capital Loan Fund).

- The FY2018-19 Governor's Budget recommendation for MnDOT includes a one-time increase of $1.5 million from the General Fund for the Working Capital Loan Fund Program. This increase would support the goals of equity and reduce disparities in contracting by providing additional funding for small businesses to acquire the necessary capital to participate on MnDOT projects.

- DBE representatives attended 19 business development workshops during the reporting period. Training topics included bidding, estimating, business planning, accounting and sales.

Overconcentration of Disadvantaged Business Enterprises

MnDOT's DBE program is committed to ensuring DBEs have the opportunity to participate in contracts and subcontracts financed in whole, or in part, with federal funds. Federal regulations address the issue of overconcentration in 49 CFR 26.33.

If MnDOT determines that DBE firms are overconcentrated within a certain type or scope of work which unduly burdens the opportunity of non-DBE firms to participate within the same work type, MnDOT must devise appropriate measures to address this overconcentration. Measures may include the use of incentives, technical assistance, business development programs, mentor protégé programs and other appropriate measures designed to assist DBEs in performing work outside of the specific field in which it was determined that non-DBEs are unduly burdened.

MnDOT may also consider varying its use of contract goals, remaining consistent with federal regulations, to ensure that non-DBEs are not unfairly prevented from competing for subcontracts. Proposed measures to address overconcentration and the determination that such a need exists must be approved by the FHWA. Once approved, the measures become a part of the DBE program. MnDOT has not determined that overconcentration exists in any work types or scopes of highway heavy work.

Contract-Specific DBE Subcontracting Goals

In order to be awarded a federally funded contract, bidders must commit to meeting or make good-faith efforts to meet contract-specific DBE subcontracting goals. Contract-specific goals are the value of DBE work stated as a percentage of the total contract value. In Minnesota, federally funded contracts are assigned a DBE project goal by MnDOT's OCR. For example, a commitment may state that "six percent of the bid value is to be performed by DBEs."

- In 2017, OCR set contract specific goals on 165[1] contracts. Of these, prime contractors met or exceeded the contract specific goal on 159 contracts.
- In 2018, OCR set contract specific goals on 167 contracts. Of these, prime contractors met or exceeded the contract specific goal on 158 contracts.

Table 9: MnDOT Projects with DBE Goals

GOAL	2017	2018
Total Contracts cleared	246	249
Race Conscious contracts (numerical goal set)	165	167
Met and / or exceeded the goal	159	158
Race / gender neutral contracts (no goal)	81	82
Good-faith efforts made	6	9

When a low bidder does not commit to meeting a DBE project goal, the low bidder must demonstrate that it made good-faith efforts to meet the goal. The program rules require the bidder to meet this standard to be awarded a federally funded contract. MnDOT OCR is responsible for performing the evaluation of good-faith efforts. In 2017, OCR evaluated good-faith efforts on six contracts; in 2018, OCR evaluated good-faith efforts on nine contracts.

A good-faith effort evaluation is a determination of whether the bidder took all necessary and reasonable steps to achieve the DBE goal that, by their scope, intensity, and appropriateness to the objective, could reasonably be expected to obtain sufficient DBE participation, even if the bidder was not fully successful. MnDOT may consider additional factors such as the commitment of other bidders to meet the established goal.

During the reporting period, six contractors were evaluated by OCR as not making good-faith efforts. After completing the administrative due process of reconsideration, two of the contractors were denied the contract award because they did not meet the good-faith efforts standard.

Race/gender neutral contracts are federally funded contracts that do not have an assigned DBE goal. Generally, MnDOT does not set a goal on contracts with an estimated value less than $300,000.

Although MnDOT OCR does not set a goal on these contracts, the DBE participation still counts towards the statewide achievement.

1 Many factors determine how many projects are eligible to have a goal determined and therefore the number of contracts with set goals varies year to year.

Contracts with Targeted Groups (section 16C.16) State Funded Projects

The Targeted Group Business Program is part of MnDOT's overall initiative to increase small business participation on state funded contracts. The TGB program provides certified, targeted group businesses increased access to state contracting opportunities through:

- A bid preference for TGB's bidding as prime contractors.
- Participation goals for TGB subcontractors. The TGB program is solely for state funded projects. Currently, project goals are applied on contracts with an estimated cost of more than $250,000. The TGB program has no statewide goal.

Eligibility requirements for the TGB program are established by the Minnesota Department of Administration in Minn. Stat. 16C.16 and Minn. Rules Parts 1230.1600-1820. The MnDOT TGB program is authorized in Minn. Stat. 161.321.The TGB program is only available to Minnesota-based small businesses that meet the eligibility requirements. Eligible participants must be certified as a TGB by the Minnesota Department of Administration. To qualify, the business must be 51 percent owned and operated by women, persons with a substantial physical disability, or specific minorities as determined by the Commissioner of Administration. Under this program, a TGB firm that bids as a prime contractor and requests a preference may receive a reduction of up to six percent of the amount of their bid for the first $1 million, not to exceed $60,000. This preference amount is used solely for the purpose of evaluating and ranking the low bid. During the 2017 fiscal year, there were 130 state funded MnDOT projects evaluated for a TGB goal requirement. A list of 2017 contracts with TGB goals is provided in Appendix B.

- 76 projects had a goal of zero percent because they were identified as having no significant subcontracting opportunities for TGB firms.
- Despite a goal of zero, TGB firms participated on five of these projects.
- 54 projects had a TGB subcontractor goal above zero.
- 52 projects with a goal greater than zero met or exceeded goals.
- 99 subcontractors with a total value of $6,688,529.77 were awarded to TGB firms.

During the 2018 fiscal year, there were 137 state funded MnDOT projects evaluated for a TGB goal requirement. A list of 2018 contracts with TGB goals is provided in Appendix C.

- 78 projects had a goal of zero percent because they were identified as having no significant subcontracting opportunities for TGB firms.
- Despite a goal of zero, TGB firms participated on 18 of these projects.
- 59 projects had a TGB subcontractor goal above zero.
- 53 projects with a goal greater than zero met or exceeded goals.

A total value of $20,674,178.32 was awarded to TGB firms.

Conclusion

MnDOT Civil Rights programs continue to improve opportunities in employment and small business contracting for women and minorities in Minnesota's highway heavy construction industry. MnDOT's stakeholder engagement through the DBE & Workforce Collaborative will continue to serve a role in the ongoing effort to make programmatic improvements and increase the effectiveness of MnDOT's civil rights programs. By developing relationships in the contracting community and enhancing on-the-job training and other business development programs to meet the needs of the emerging workforce, MnDOT remains committed to using effective strategies to achieve the objectives of these programs.

Appendix A: 2017 TGB Contract Awards

The following information complies with the legislative request in Minn. Stat. 174.03, subd. 11 (6). The following lists the state funded contracts with TGB goals by award date and district.

Date Awarded	State Project #	District	Awarded Amount	Commitment Amount	Set TGB Goal	TGB % Achieved
7/5/2016	1002406		$189,946.09	$0.00	0.00%	0.00%
7/5/2016	1002599		$548,403.66	$312,859.26	10.00%	57.05%
7/8/2016	1002954		$193,053.00	$0.00	0.00%	0.00%
7/8/2016	1002883		$36,618.24	$36,618.24	0.00%	100.00%
7/13/2016	1002942		$574,911.80	$82,225.00	14.30%	14.30%
7/20/2016	1002409		$215,059.61	$0.00	0.00%	0.00%
7/22/2016	1025860		$99,999.90	$0.00	0.00%	0.00%
7/25/2016	1002894		$370,000.00	$0.00	0.00%	0.00%
8/3/2016	1003340		$398,768.98	$0.00	0.00%	0.00%
8/8/2016	4001-47	7	$449,243.98	$13,580.00	2.80%	3.02%
8/8/2016	4205-91	8	$377,269.67	$29,112.77	7.40%	7.72%
8/8/2016	7108-26	3	$63,942.00	$0.00	0.00%	0.00%
8/9/2016	1002280		$264,856.90	$0.00	0.00%	0.00%
8/9/2016	2781-480	M	$457,008.92	$33,990.60	7.30%	7.44%
8/9/2016	1003337		$285,870.85	$31,142.86	10.00%	10.89%
8/10/2016	1002934		$610,868.99	$92,199.00	15.00%	15.09%
8/12/2016	0207-114	M	$148,321.40	$826.00	0.00%	0.56%
8/18/2016	1002926		$105,678.81	$105,678.81	0.00%	100.00%
8/26/2016	1003210		$1,938,398.88	$18,960.96	1.00%	0.98%
8/29/2016	1002517		$94,921.70	$0.00	0.00%	0.00%
9/6/2016	1002922		$100,000.00	$64,536.00	0.00%	64.54%
9/7/2016	2734-51	M	$1,165,533.00	$97,179.30	2.40%	8.34%
9/9/2016	1003116		$150,000.00	$0.00	0.00%	0.00%
9/9/2016	1925-43	M	$629,948.95	$56,658.40	5.40%	8.99%
9/9/2016	3516-17	2	$2,642,307.90	$379,566.20	1.50%	14.36%
9/9/2016	6780-116	7	$538,845.00	$12,112.00	1.00%	2.25%
9/15/2016	1003249		$300,513.60	$0.00	0.00%	0.00%
9/15/2016	1003118		$300,000.00	$0.00	0.00%	0.00%
9/16/2016	1003338		$332,779.79	$0.00	0.00%	0.00%
9/19/2016	1002896		$200,876.30	$0.00	0.00%	0.00%
9/28/2016	1003274		$868,518.58	$272,177.21	23.70%	31.34%
10/5/2016	8210-102	M	$96,984.25	$20,949.25	0.00%	21.60%
10/13/2016	1003246		$283,844.38	$0.00	0.00%	0.00%
10/20/2016	0912-32	1	$1,069,781.04	$33,031.11	2.70%	3.09%
10/20/2016	1025928		$369,100.48	$139,473.17	30.00%	37.79%
11/9/2016	1025929		$128,938.60	$0.00	0.00%	0.00%
11/17/2016	1002293		$603,690.87	$110,198.35	17.00%	18.25%

Date Awarded	State Project #	District	Awarded Amount	Commitment Amount	Set TGB Goal	TGB % Achieved
11/22/2016	1026788		$9,900.00	$9,900.00	0.00%	100.00%
11/22/2016	2101-51	4	$472,815.73	$31,358.70	6.30%	6.63%
12/2/2016	1026525		$302,639.73	$0.00	0.00%	0.00%
12/8/2016	7608-19	4	$3,094,797.00	$453,000.00	6.80%	14.64%
12/8/2016	1026459		$578,039.65	$0.00	0.00%	0.00%
12/13/2016	1026223		$146,603.81	$0.00	0.00%	0.00%
12/13/2016	8824-143		$218,244.68	$19,152.00	8.10%	8.78%
12/15/2016	1026529		$248,421.06	$0.00	0.00%	0.00%
12/16/2016	1026541		$250,000.00	$0.00	0.00%	0.00%
12/19/2016	1026553		$107,352.07	$0.00	0.00%	0.00%
12/23/2016	1026743		$185,185.97	$0.00	0.00%	0.00%
12/29/2016	1026249		$327,585.31	$0.00	0.00%	0.00%
12/30/2016	1026872		$88,954.81	$88,954.81	0.00%	100.00%
1/6/2017	1003358		$3,452,093.46	$368,245.50	10.00%	10.67%
1/6/2017	6216-135	M	$529,282.42	$126,789.10	2.90%	23.95%
1/6/2017	1003275		$199,959.11	$155,634.05	0.00%	77.83%
1/10/2017	0902-12	1	$1,820,861.85	$101,146.50	5.40%	5.55%
1/23/2017	1026584		$36,777.33	$0.00	0.00%	0.00%
1/25/2017	1026221		$149,955.46	$0.00	0.00%	0.00%
1/25/2017	1025976		$199,731.40	$101,377.00	8.00%	50.76%
1/26/2017	1001481		$426,990.91	$0.00	0.00%	0.00%
1/26/2017	1002866		$647,587.72	$84,074.11	13.00%	12.98%
2/6/2017	1027057		$45,653.06	$0.00	0.00%	0.00%
2/7/2017	1026016		$488,023.79	$65,935.93	8.00%	13.51%
2/14/2017	1026671		$1,663,128.61	$0.00	0.00%	0.00%
2/22/2017	1401-171	4	$2,457,945.54	$82,427.95	3.10%	3.35%
2/22/2017	5080-161	6	$2,971,510.40	$120,754.02	3.30%	4.06%
2/22/2017	1026983		$99,411.93	$0.00	0.00%	0.00%
2/23/2017	1026491		$148,318.49	$0.00	0.00%	0.00%
2/24/2017	1213-12	8	$319,694.50	$7,390.22	5.00%	2.31%
2/24/2017	2772-111	M	$1,211,605.15	$57,445.74	4.70%	4.74%
2/24/2017	6916-106	1	$198,571.50	$4,034.00	0.00%	2.03%
3/6/2017	1000045		$2,391,864.41	$0.00	0.00%	0.00%
3/9/2017	1026080		$375,900.48	$91,914.29	15.00%	24.45%
3/9/2017	1027467		$49,100.00	$0.00	0.00%	0.00%
3/14/2017	1027103		$40,000.00	$0.00	0.00%	0.00%
3/15/2017	6910-92	1	$3,096,500.00	$80,638.98	1.90%	2.60%
3/16/2017	3103-66	1	$46,924.02	$0.00	0.00%	0.00%
3/16/2017	3108-76	1	$1,983,526.61	$200,500.98	9.60%	10.11%
3/16/2017	1003223		$220,768.86	$82,706.75	0.00%	37.46%
3/20/2017	2785-422	M	$449,258.41	$2,115.60	0.00%	0.47%
3/21/2017	1026210		$220,828.00	$0.00	0.00%	0.00%

Date Awarded	State Project #	District	Awarded Amount	Commitment Amount	Set TGB Goal	TGB % Achieved
3/22/2017	2506-82	6	$251,050.50	$48,168.80	15.50%	19.19%
3/22/2017	8208-37	M	$996,705.06	$25,370.60	2.50%	2.55%
3/30/2017	1027071		$1,166,747.46	$0.00	0.00%	0.00%
3/31/2017	1027423		$62,382.00	$0.00	0.00%	0.00%
4/3/2017	1025809		$5,250,152.59	$979,243.53	7.00%	18.65%
4/6/2017	1027614		$40,165.00	$0.00	0.00%	0.00%
4/6/2017	1027342		$230,172.46	$18,989.21	7.00%	8.25%
4/10/2017	1026949		$1,622,923.05	$302,467.00	16.80%	18.64%
4/11/2017	1027141		$300,000.00	$0.00	0.00%	0.00%
4/13/2017	1026987		$353,595.52	$194,448.76	12.00%	54.99%
4/18/2017	5005-62	6	$5,254,971.29	$391,585.75	4.70%	7.45%
4/19/2017	3103-65	1	$2,177,200.00	$0.00	0.00%	0.00%
4/19/2017	8825-484		$2,066,777.62	$158,330.00	3.60%	7.66%
4/20/2017	1026903		$799,956.75	$0.00	0.00%	0.00%
4/20/2017	1027337		$164,270.00	$336,907.26	25.00%	205.09%
4/21/2017	8823-311		$637,778.00	$466,402.00	0.00%	73.13%
4/21/2017	6982-320	1	$105,880.00	$0.00	0.00%	0.00%
4/21/2017	8824-129		$720,703.26	$0.00	0.00%	0.00%
4/21/2017	8825-603		$384,682.00	$57,720.00	6.70%	15.00%
4/21/2017	1027375		$46,016.54	$0.00	0.00%	0.00%
4/21/2017	1027371		$141,612.16	$0.00	0.00%	0.00%
5/1/2017	1026920		$62,734.03	$0.00	0.00%	0.00%
5/1/2017	1027485		$98,000.00	$0.00	0.00%	0.00%
5/4/2017	1027648		$58,625.00	$0.00	0.00%	0.00%
5/4/2017	1027455		$129,508.26	$0.00	0.00%	0.00%
5/10/2017	1027336		$121,735.27	$0.00	25.00%	0.00%
5/10/2017	1027125		$229,257.79	$0.00	0.00%	0.00%
5/12/2017	8822-204		$1,036,170.55	$0.00	0.00%	0.00%
5/15/2017	8680-180	3	$3,132,681.20	$74,196.54	2.20%	2.37%
5/19/2017	1027453		$134,334.70	$0.00	0.00%	0.00%
5/24/2017	8282-130	M	$388,942.77	$4,438.00	0.00%	1.14%
5/24/2017	8825-606		$147,366.00	$14,125.00	4.00%	9.58%
6/1/2017	8821-287		$2,936,609.83	$0.00	0.00%	0.00%
6/1/2017	8821-288		$273,140.62	$0.00	0.00%	0.00%
6/2/2017	1027449		$203,375.72	$0.00	0.00%	0.00%
6/5/2017	8828-202		$714,570.38	$535,070.30	1.70%	74.88%
6/5/2017	1027248		$798,881.77	$200,671.52	25.00%	25.12%
6/6/2017	1025958		$331,086.50	$101,067.00	30.00%	30.53%
6/12/2017	1026462		$599,812.49	$0.00	0.00%	0.00%
6/13/2017	1028383		$14,937.28	$0.00	0.00%	0.00%
6/15/2017	1027046		$2,460,902.32	$358,866.96	8.70%	14.58%
6/15/2017	1981-136	M	$116,215.76	$6,739.20	5.40%	5.80%

Date Awarded	State Project #	District	Awarded Amount	Commitment Amount	Set TGB Goal	TGB % Achieved
6/27/2017	6280-382	M	$152,081.00	$0.00	0.00%	0.00%
6/27/2017	6280-397	M	$151,186.00	$0.00	0.00%	0.00%
6/27/2017	8822-194		$332,070.00	$68,184.43	5.00%	20.53%
6/28/2017	2706-221	M	$610,449.00	$15,476.47	2.50%	2.54%
6/28/2017	6280-381	M	$130,431.00	$0.00	0.00%	0.00%
6/29/2017	8822-206		$1,292,557.34	$1,053,304.98	2.00%	81.49%
6/29/2017	6982-326	1	$416,900.00	$0.00	0.00%	0.00%
6/29/2017	8825-599		$2,347,705.63	$72,180.50	0.00%	3.07%
6/30/2017	8217-34	M	$8,663,458.36	$128,496.20	1.40%	1.48%

Appendix B: 2018 TGB Contract Awards

Date Awarded	State Project #	District	Awarded Amount	Commitment Amount	Set TGB Goal	TGB % Achieved
7/5/2017	1027723		$590,494.67	$0.00	0.00%	0.00%
7/5/2017	6280-396	M	$108,557.46	$108,557.46	0.00%	100.00%
7/6/2017	1028469		$24,874.68	$5,332.20	0.00%	21.44%
7/11/2017	1025959		$766,854.44	$182,461.18	10.00%	23.79%
7/13/2017	6223-22	M	$2,219,589.76	$33,750.00	0.00%	1.52%
7/19/2017	1027727		$371,431.32	$35,301.55	10.00%	9.50%
8/4/2017	1027947		$314,561.30	$0.00	15.00%	0.00%
8/9/2017	6904-53	1	$209,900.00	$0.00	0.00%	0.00%
8/14/2017	1027714		$204,061.13	$39,563.00	20.00%	19.39%
8/17/2017	1028187		$1,542,459.21	$221,850.00	4.20%	14.38%
8/17/2017	1028740		$78,914.59	$0.00	0.00%	0.00%
8/17/2017	1027957		$344,725.90	$86,412.52	25.00%	25.07%
8/18/2017	1027568		$205,029.24	$67,029.54	30.00%	32.69%
8/22/2017	1311-05	M	$417,307.10	$30,730.00	4.70%	7.36%
8/23/2017	1027503		$400,853.71	$19,248.00	5.00%	4.80%
8/24/2017	1913-103	M	$355,170.75	$11,907.50	2.20%	3.35%
8/24/2017	2781-467	M	$2,032,305.00	$209,007.18	3.10%	10.28%
8/24/2017	0208-159	M	$574,166.08	$173,016.50	1.60%	30.13%
9/8/2017	1028240		$249,633.18	$31,983.64	10.00%	12.81%
9/12/2017	1025960		$91,774.82	$0.00	0.00%	0.00%
9/15/2017	1028798		$304,521.03	$0.00	0.00%	0.00%
9/15/2017	1028265		$205,000.00	$0.00	0.00%	0.00%
10/12/2017	1029251		$18,712.51	$0.00	0.00%	0.00%
10/19/2017	3803-34	1	$2,498,234.87	$140,847.42	4.30%	5.64%
10/19/2017	8828-194	8	$251,497.75	$0.00	0.00%	0.00%
10/26/2017	1027821		$148,309.03	$0.00	0.00%	0.00%
10/26/2017	1027753		$39,450.00	$0.00	0.00%	0.00%
11/1/2017	1027677		$257,626.14	$0.00	0.00%	0.00%
11/3/2017	1028842		$230,923.44	$44,032.00	20.00%	19.07%
11/6/2017	1029243		$99,944.10	$99,944.10	0.00%	100.00%
11/8/2017	1027955		$128,002.50	$0.00	0.00%	0.00%
11/8/2017	1029286		$249,964.58	$0.00	0.00%	0.00%
11/8/2017	1028885		$229,919.96	$46,048.40	20.00%	20.03%
11/13/2017	1028642		$149,500.00	$0.00	0.00%	0.00%
11/13/2017	1028892		$99,687.90	$0.00	0.00%	0.00%
11/14/2017	6281-51	M	$107,788.10	$2,900.00	0.00%	2.69%
11/14/2017	2734-50	M	$256,735.00	$260,465.00	0.00%	101.45%
11/15/2017	6926-53	1	$434,500.00	$0.00	0.00%	0.00%

Date Awarded	State Project #	District	Awarded Amount	Commitment Amount	Set TGB Goal	TGB % Achieved
11/16/2017	2783-160	M	$88,992.00	$88,992.00	0.00%	100.00%
11/17/2017	1028769		$748,986.86	$0.00	0.00%	0.00%
11/30/2017	1029541		$117,645.18	$0.00	0.00%	0.00%
12/11/2017	6280-395	M	$773,777.00	$21,900.00	0.00%	2.83%
12/14/2017	7008-115	M	$214,975.58	$12,650.90	1.40%	5.88%
12/15/2017	1029500		$82,213.25	$0.00	0.00%	0.00%
12/29/2017	1029281		$262,014.04	$0.00	0.00%	0.00%
1/8/2018	1028758		$167,101.26	$0.00	0.00%	0.00%
1/9/2018	8001-42	3	$104,712.00	$0.00	0.00%	0.00%
1/9/2018	3606-61	1	$6,437,318.52	$74,625.50	0.00%	1.16%
1/12/2018	7380-240	3	$1,770,199.10	$0.00	0.00%	0.00%
1/12/2018	8208-38	M	$3,354,059.98	$229,510.99	6.70%	6.84%
1/12/2018	1029607		$248,668.34	$50,588.52	20.00%	20.34%
1/17/2018	1029713		$99,932.02	$0.00	0.00%	0.00%
1/19/2018	1029778		$98,239.85	$98,239.85	0.00%	100.00%
1/26/2018	1029577		$204,134.00	$51,244.12	25.00%	25.10%
2/1/2018	1029472		$106,023.22	$75,719.33	0.00%	71.42%
2/1/2018	1028429		$198,850.47	$149,247.51	0.00%	75.06%
2/1/2018	1029379		$904,549.77	$126,277.00	13.00%	13.96%
2/5/2018	1029266		$234,384.35	$125,147.42	0.00%	53.39%
2/14/2018	1029524		$49,000.00	$0.00	0.00%	0.00%
2/15/2018	1029605		$1,476,479.27	$362,349.27	24.00%	24.54%
2/16/2018	7604-25	4	$40,360.75	$0.00	0.00%	0.00%
2/20/2018	3108-80	1	$676,259.34	$29,360.00	1.10%	4.34%
2/20/2018	8214-172	M	$2,286,358.22	$79,063.49	3.40%	3.46%
2/20/2018	2789-156	M	$426,620.80	$112,500.00	2.30%	26.37%
2/21/2018	1002-111	M	$321,447.38	$5,250.00	0.00%	1.63%
2/22/2018	6918-91	1	$396,926.00	$0.00	0.00%	0.00%
2/23/2018	1029620		$800,000.00	$0.00	0.00%	0.00%
3/1/2018	1029542		$4,105,275.77	$920,172.00	20.00%	22.41%
3/6/2018	1029393		$711,616.13	$180,392.17	25.00%	25.35%
3/8/2018	1029100		$2,635,851.42	$0.00	0.00%	0.00%
3/8/2018	8828-217	8	$237,104.00	$6,509.24	1.40%	2.75%
3/9/2018	8828-155	8	$634,320.00	$634,320.00	3.00%	100.00%
3/12/2018	8828-199	8	$485,700.00	$28,370.00	4.30%	5.84%
3/14/2018	1028677		$287,907.57	$62,068.94	20.00%	21.56%
3/15/2018	5680-145	4	$142,151.00	$0.00	0.00%	0.00%
3/15/2018	1029596		$174,289.62	$0.00	0.00%	0.00%
3/15/2018	1030150		$466,685.57	$0.00	0.00%	0.00%
3/16/2018	8821-271	1	$997,757.00	$45,000.00	4.40%	4.51%
3/16/2018	1030236		$46,381.33	$0.00	0.00%	0.00%
3/19/2018	2785-396	M	$493,397.50	$49,726.13	6.70%	10.08%

Date Awarded	State Project #	District	Awarded Amount	Commitment Amount	Set TGB Goal	TGB % Achieved
3/22/2018	8823-331	3	$137,302.00	$36,352.20	0.00%	26.48%
3/23/2018	8825-679	M	$1,555,767.89	$50,100.00	3.20%	3.22%
3/23/2018	8826-196	6	$420,031.16	$45,214.56	10.70%	10.76%
3/23/2018	8825-665	M	$619,027.12	$619,027.12	6.70%	100.00%
4/5/2018	1029757		$1,049,777.63	$293,480.14	17.00%	27.96%
4/6/2018	1029773		$246,245.00	$0.00	0.00%	0.00%
4/6/2018	1030535		$50,000.00	$50,000.00	0.00%	100.00%
4/10/2018	8611-27	3	$42,776.00	$0.00	0.00%	0.00%
4/11/2018	1029772		$244,359.20	$0.00	0.00%	0.00%
4/11/2018	1029597		$158,545.37	$158,545.37	33.30%	100.00%
4/13/2018	1029861		$634,776.79	$0.00	0.00%	0.00%
4/13/2018	8824-154	4	$414,381.00	$0.00	3.50%	0.00%
4/13/2018	8214-161	M	$479,984.00	$0.00	0.00%	0.00%
4/16/2018	7080-55	M	$310,106.02	$38,864.40	9.20%	12.53%
4/18/2018	2775-28	M	$765,236.65	$92,136.75	2.20%	12.04%
4/18/2018	1029433		$149,740.82	$0.00	0.00%	0.00%
4/18/2018	1028850		$119,269.98	$0.00	0.00%	0.00%
4/19/2018	0283-33	M	$1,069,667.61	$1,543,356.61	4.60%	144.28%
4/24/2018	1030139		$386,597.50	$26,196.50	5.00%	6.78%
4/27/2018	1029534		$467,478.32	$0.00	0.00%	0.00%
4/30/2018	1029759		$236,822.17	$0.00	0.00%	0.00%
5/1/2018	1029802		$396,294.43	$0.00	0.00%	0.00%
5/2/2018	1030539		$221,769.40	$0.00	0.00%	0.00%
5/7/2018	1029786		$1,631,804.69	$275,450.00	20.00%	16.88%
5/8/2018	8821-292	1	$2,869,849.14	$0.00	0.00%	0.00%
5/8/2018	A0001-24	M	$556,979.00	$0.00	0.00%	0.00%
5/9/2018	1030311		$129,860.12	$0.00	0.00%	0.00%
5/17/2018	8825-652	m	$1,334,758.18	$118,270.00	0.00%	8.86%
5/21/2018	6284-185	M	$4,395,868.35	$321,932.00	4.20%	7.32%
5/22/2018	1030428		$266,307.35	$35,162.58	11.00%	13.20%
5/22/2018	3905-09	2	$19,649,383.82	$238,114.20	4.60%	1.21%
5/23/2018	8816-2701	M	$4,594,727.00	$753,200.80	3.50%	16.39%
5/23/2018	6212-185	M	$1,564,300.00	$55,300.00	2.80%	3.54%
5/23/2018	8827-300	7	$436,696.50	$436,696.50	3.00%	100.00%
5/24/2018	8816-2734	6,7,8	$143,000.00	$0.00	0.00%	0.00%
5/24/2018	8816-2733	1,2,3,4	$429,871.00	$0.00	0.00%	0.00%
5/25/2018	1030126		$502,009.80	$0.00	0.00%	0.00%
6/1/2018	1030567		$256,464.22	$171,618.18	0.00%	66.92%
6/6/2018	1030794		$180,322.30	$27,578.00	5.00%	15.29%
6/7/2018	2480-110	6	$1,063,786.34	$111,584.00	7.40%	10.49%
6/8/2018	1031178		$13,281.88	$0.00	0.00%	0.00%
6/8/2018	1030175		$799,999.93	$0.00	0.00%	0.00%

Date Awarded	State Project #	District	Awarded Amount	Commitment Amount	Set TGB Goal	TGB % Achieved
6/11/2018	1030575		$4,120,940.89	$249,000.00	3.00%	6.04%
6/12/2018	1030548		$758,694.35	$0.00	0.00%	0.00%
6/12/2018	1301-124	M	$125,896.00	$0.00	0.00%	0.00%
6/12/2018	5211-72	7	$637,279.30	$52,311.25	5.60%	8.21%
6/12/2018	2482-74	6	$17,214,307.16	$304,700.86	1.60%	1.77%
6/14/2018	1030684		$274,278.63	$0.00	0.00%	0.00%
6/15/2018	1030650		$2,017,597.34	$79,000.00	4.00%	3.92%
6/21/2018	8825-614	M	$706,627.50	$61,050.00	8.10%	8.64%
6/21/2018	8822-216	2	$665,982.00	$0.00	0.00%	0.00%
6/22/2018	1031273		$99,488.50	$0.00	0.00%	0.00%
6/26/2018	1918-118	M	$391,591.50	$43,678.12	1.40%	11.15%
6/27/2018	1030806		$218,783.45	$0.00	0.00%	0.00%
6/27/2018	0110-32	3	$1,461,337.23	$0.00	0.00%	0.00%
6/27/2018	8828-176	8	$1,854,038.85	$0.00	0.00%	0.00%
6/28/2018	1030748		$208,703.19	$15,441.64	7.00%	7.40%

Appendix C: Goal Setting Methodology[2]

Executive Summary

This report provides proposed DBE goal and race neutral participation for the Minnesota Department of Transportation (MnDOT) for fiscal years 2016-2018 on Federal Highway Administration funded expenditures. The report uses comparable methodologies to those used in the previous report, adapted appropriately to revised time periods and sources of data for computing the base goal, making adjustments to the base goal and computing the race-neutral portion of the goal. This report was constructed based on the best available information received from MnDOT as well as the government-published secondary data.

The analysis undertaken suggests a proposed agency-wide DBE goal of 11.7 percent for 2016-18 on federally funded projects.

This goal was derived in the following manner:

- A base goal of 8.03 percent was computed.
- An adjustment to the base goal was made to account for disparities in prime and subcontract awards that cannot be attributed to differences in industry, location, firm size, credit risk, or other characteristics of DBE versus non-DBE contracts. The adjustment was to increase the base goal by 45.7 percent, resulting in the adjusted goal of 11.7 percent (= 8.03 × 1.457).
- The maximum portion of the adjusted goal deemed to be achievable by race-neutral means was found to be equal to 38.2 percent. Therefore, the race neutral goal was computed to be equal to 4.5 percent (= 11.7 × 0.382) and the race-conscious goal was computed to be equal to 7.2 percent (= 11.7 × (1 – 0.382) = 11.7 × 0.618).

Table 1 provides the detailed breakdowns.

Table 1: Proposed MnDOT FHWA DBE Goals FY 2016-2018

Base Goal	8.03%
Discrimination Gap for Adjustment	45.7%
Adjusted Goal	11.7%
Race-Neutral Portion	*38.2%*
Race-Neutral Goal	4.5%
Race-Conscious Portion	*61.8%*
Race-Conscious Goal	7.2%

Source: Author's calculation using the FHWA data files.

2 Reprint of "Technical Report: Methodology for Computing Proposed FHWA DBE Goals Minnesota Department of Transportation (MnDOT) FY2019-2021; Executive Summary." (Dr. Samuel L. Myers, 2018)

Background

As a recipient of federal transportation dollars awarded through the U.S. Department of Transportation's Federal Highway Administration (FHWA), MnDOT is required to establish and submit a three-year goal to the FHWA for review (Final Rule, 2010; FHWA Memorandum HCR-1, March 16, 2010). This goal is to be established in compliance with the federal regulations governing the *Participation by Disadvantaged Business Enterprises in Department of Transportation Financial Assistance Programs* (hereafter referred to as "USDOT regulations"). The USDOT regulations instruct state and local grant recipients to follow a two-step process to establish their annual DBE goal [*49 C.F.R. §26.45*]. The analysis conducted by the Roy Wilkins Center complies with these guidelines.

Methodology

In order for the MnDOT FHWA DBE goals to satisfy the requirements set forth in the USDOT regulations, availability rates of willing, able and qualified firms must be computed for well-defined geographic market areas. We established three different geographic market areas. Two were based on political jurisdictions and the other one was based on zip codes where there were substantial numbers of prime and subcontractors for MnDOT contracts between fiscal year 2012 and 2014. Relevant industries with MnDOT contracts were identified by examining the distribution of MnDOT contract dollars by industry classification for contracts awarded between October 1, 2011 and September 30, 2014. We then estimated the distribution of anticipated MnDOT contract dollars by industry classification for FY 2016-2018 from the information about future projects that was provided by MnDOT.

Availability rates were computed from multiple data sets and were appropriately weighted to produce a base goal. The base goal was then adjusted to account for disparities in prime contract and subcontract award amounts. The result is the proposed goal. The proposed goal was further partitioned between a race conscious and race neutral portion using a methodology upheld by the 3rd Circuit Federal Court in *GEOD v. New Jersey Transit* and published in the peer reviewed journal, *Applied Economics Letters.*

Data

The research team obtained all prime contract and subcontract files from the Office of Civil Rights, Minnesota Department of Transportation for the years 2012 to 2014. Obvious data entry errors, improbable measures, possible duplicates and related questionable items were flagged and forwarded to MnDOT staff for clarification and/or correction.

Contract files were supplemented with data obtained from Dun & Bradstreet. Other data used included: the MnDOT DBE Certification Directory, MnDOT BizTrak Vendors List, MnDOT Bidders List and the U.S. Census ZIP code Business Patterns (ZBP) data for 2012.

Utilization

In Table 2, the utilization analysis shows that 99.7 percent of prime contract dollars were awarded to non-DBE prime contractors (equivalent to $2.34 billion dollars) while 0.3 percent of prime contract dollars were awarded to DBE prime contractors ($7.22 million dollars). Of the $618 million dollars subcontracted by prime contractors, 32.0 percent went to DBE subcontractors and 68.0 percent to non-DBE subcontractors. In total, DBE prime contractors and subcontractors received 8.75 percent of total contract dollars awarded from 2011 to 2014.

Table 2: DBE Share of FHWA Contract Amount

		N	Contract Amount	Percent
Prime Contracts	Total	529	$2,345,528,580.11	
	DBE	8	$7,216,612.03	0.31%
	Non-DBE	521	$2,338,311,968.08	99.69%
Sub Contracts	Total	3,865	$618,136,200.84	
	DBE	1,288	$197,998,961.01	32.03%
	Non-DBE	2,579	$420,137,239.83	67.97%
Both Prime and Sub Contracts[3]	DBE	1,296	$205,215,573.04	8.75%

Source: MnDOT FHWA contracts from Oct. 1, 2011-Sept. 30, 2014

Of the contract dollars awarded to 8 DBE prime contractors, 100 percent were awarded to white females. Among DBE subcontracts, 87.2 percent were awarded to white females, 4.8 percent to Asian Pacific Americans, 3.4 percent to Blacks, 3.0 percent to Hispanics, 1.4 percent to Native Americans and 0.1 percent to Asian Indians.

The vast majority of prime contract dollars were awarded to Minnesota firms (96.8%) followed by Wisconsin (2.4%). The bulk of contracts and contract dollars awarded were in the construction industry with a non-trivial share of contracts and contract dollars in various professional services.

Geographic Market Areas

In order for the MnDOT FHWA DBE goal to satisfy the requirements set forth in the USDOT regulations as well as comply with the Supreme Court's narrowly-tailored standard, the DBE goal must be based on a narrowly-defined geographic market. In order to define the geographic market in such a manner that the vast majority of contract dollars awarded would be incorporated in the definition, the research team considered two broad methods: a) political jurisdiction method (PJM), based on the counties where contracts were awarded; and b) virtual jurisdiction method (VJM), based on the zip code location of contracts and/or contractors in the client's database. All methods yield different counts or estimates of the numbers of firms within industry codes, and accordingly will yield alternative measures of availability. For this report, the following alternative markets were used.

3 This figure includes DBEs as either prime or subcontractor

Table 3: MnDOT Geographic Market Areas (GMAs) for FHWA DBE Goals

GMA	Definition	Total Amount	Share of Dollars
Political Jurisdiction Method (PJM)			
PJM-1	All Minnesota counties	$2,269,737,436.23	96.80%
PJM-2	Ranked Counties in USA where the total contract dollars for the sum of the counties exceeds 75% and the marginal contribution to the overall total is at least 1%	$2,091,621,059.51	89.20%
Virtual Jurisdiction Method (VJM)			
VJM-1	Ranked zip codes anywhere in the USA where the total contract dollars awarded for the sum of the zip codes exceeds 75% and the marginal contribution to the overall total is at least 0.25%	$2,238,004,515.52	95.40%
	Total	$2,345,528,580.11	

Source: FHWA contracts from Oct. 1, 2011 – Sept. 30, 2014

The first method, PJM-1, represents the State of Minnesota. The second method, PJM-2, defines those counties where there are enough contracts to represent the Minnesota counties where the total contract amount exceeds 75 percent and the marginal contribution of each county to the overall total contract amount is at least 1 percent. The other measure, VJM-1, is similar to PJM-2, but focuses on zip codes.

The distribution of dollars per GMA is presented in Table 3 as well. Each geographic market area has more than 85 percent of contract dollars.

Discussion of Availability Methods

The research team obtained from MnDOT a list of all firms that were in their various databases, which include prime contractors and subcontractors, certified DBEs, bidders and vendors. NAICS codes for the firms were obtained from the BizTrak database, BizTrak vendors list, and Dun & Bradstreet (D&B). When no NAICS could be found, observations were not used in the weighted availability counts.

The research team also obtained from MnDOT the list of projects that MnDOT expects to undertake and identified 129 separate six-digit NAICS codes associated with comparable projects from the period of 2011-2014. Weights were obtained by using the projected expenditures[4] provided by MnDOT.[5]

Bidders List Method[6]

The bidders list includes firms that bid on a federal prime contract or subcontract. The research team obtained the list of bidders on each prime contract and associated subcontracts from the BizTrak system maintained by

4 State Transportation Improvement Program (STIP) 2015-2018, http://www.dot.state.mn.us/planning/program/stip.html.

5 According to U.S. Department of Transportation regulations, the availability rate should be weighted by the "amount of money to be spent" in each industry. The research team requested a copy of MnDOT's estimated expenditures for the next three years, broken down by NAICS code. Projected expenditures for the next three years included in the State Transportation Improvement Program (STIP) 2016-2018 data files were provided and categorized by type of work. In order to calculate the weights for the availability analysis, the research team categorized projected expenditures by NAICS code. The result was 129 NAICS codes.

6 The formula below was used to the availability analysis using the Bidders List method.

MnDOT. The prime contract and subcontract lists were matched with the certified DBE list and Dun & Bradstreet database to identify the race/ethnicity and gender status of bidders.

The availability rate is the weighted share of certified DBEs within each NAICS code for a given geographic market area. The weights are based on the expected share of dollars MnDOT anticipates it will spend on different types of projects in 2016-2018. The numerator is the number of minority bidders and the denominator is the total number of bidders. With the Bidders List method, the numerator and denominator come from the same source.

Information on NAICS codes is not available for all firms. NAICS codes associated with each firm come from two different sources: MnDOT information and Dun & Bradstreet. When we were unable to obtain NAICS from the MnDOT information, we used the D&B database. When we were unable to find a NAICS code for the firm, that firm was not included in this availability method. Only a small number of firms (0.44%) were excluded due to lack of information.

Vendors List Method[7]

The vendors list is the list of the firms that have done businesses with MnDOT. This list was obtained from the BizTrak system maintained by MnDOT. MnDOT updates the list continuously by identifying firms that are no longer in business. We used the most recently updated list.[8]

The availability rate is the weighted share of certified DBEs within each NAICS code for a given geographic market area. The counts for the numerator and the denominator come from the same data source – the vendors list. As is the case with the bidders list, when we were unable to match a firm with a NAICS code that firm was not included in the count.

Dun and Bradstreet Method[9]

The research team obtained access to Hoover's database, a subsidiary of Dun & Bradstreet, to compute the number of firms in each relevant NAICS code within a specified geographic market area. This research product covers some 900 industries, which include about 65 million corporations and other entities (i.e. government

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$$Availability\ Rate = \sum_{j=1}^{n} \frac{(Number\ of\ DBE\ Bidders)_j}{(Total\ Number\ of\ Bidders)_j} \times weight_j, where\ j = industry$$

The numerator is the number of DBE bidders in a given industry j and the denominator is the total number of bidders with the same industry j. The weight j is the percent of contract amounts in each industry.

7 The formula below was used to the availability analysis using the Vendors List method.

The numerator is the number of DBE vendors in a given industry j and the denominator is the total number of vendors with the same industry j. The weight j is the percent of contract amounts in each industry.

8 The BizTrak vendor list was provided on May 21, 2015.

9 The formula below was used to the availability analysis using the D&B method.

$$Availability\ Rate = \sum_{j=1}^{n} \frac{(Number\ of\ WBEs\ or\ MBEs)_j}{(Total\ Number\ of\ Firms)_j} \times weight_j, where\ j = industry$$

The numerator is the number of WBE or MBW firms in a given industry j and the denominator is the total number of firms with the same industry j. The weight j is the percent of contract amounts in each industry.

agencies, partnerships, non-profits, and educational institutions) and 85 million individuals. For the state of Minnesota, the database included information on headquarters, branches, and single locations.[10]

The availability rate is computed by finding the weighted share of women- and minority-owned businesses within each NAICS code for a specified geographic market area. Unlike the other methods, the D&B method uses "self-reported" minority/gender designations. Thus, the D&B method can include firms that are not MnDOT certified DBEs. On the other hand, not every certified DBE is included in this database because a requirement of inclusion is the existence of a DUNS number. According to Hoover's customer service, D&B contacts firms directly to verify their gender or minority status and checks with third party sources and proprietary databases for further verification.

DBE List Method[11]

We obtained the list of certified DBEs from MnDOT. The numerator in the availability rate is the number of certified DBE firms for specified NAICS codes within a given geographic market area. The denominator is the number of firms in the County Business Patterns (CBP) or ZIP code Business Patterns (ZBP) database, depending on the definition of the geographic market area, for specified NAICS codes within a geographic market area. The numerator and denominator come from different sources. The numerator counts firms and the denominator counts establishments with paid employees.[12] The Census Bureau explains:

An establishment is a single physical location at which business is conducted or services or industrial operations are performed. An establishment is not necessarily equivalent to a company or enterprise, which may consist of one or more establishments. A single-unit company owns or operates only one establishment. A multi-unit company owns or operates two or more establishments. http://www.census.gov/econ/cbp/methodology.htm, accessed, June 1, 2015[13] (Census Bureau, County Business Patters, "How the Data Are Collected (Coverage and Methodology)").

The Base Goal

Depending on the method used to calculate availability rates, each geographic market area captures a different share of available contract dollars. As a result, each method also yields a different DBE availability goal for each geographic market.

In order to derive a single base goal for MnDOT that is based on all the goals calculated for each geographical market, it is necessary to weight each geographical market-specific goal according to the percentage of contract dollars awarded in that area (shown in Table 3).

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10 Headquarter: indicates that the company has subsidiaries or branches; branch indicates a company location other than the headquarters; and single location indicates that the company does not have any subsidiaries or branches.

11 The formula below was used to the availability analysis using the Certified DBE List method.

$$Availability\ Rate = \sum_{j=1}^{n} \frac{(Number\ of\ DBEs)_j}{(Number\ of\ Firms\ in\ ZBP)_j} \times weight_j, where\ j = industry$$

The numerator is the number of DBE firms in a given industry j and the denominator is the total number of firms with the same industry j from ZIP Code Business Patterns dataset.

The weight j is the percent of contract amounts in each industry.

12 Note that the denominator may overstate the number of firms since it includes each establishment owned by a multi-unit firm.

13 As a result, the denominator includes many establishments that might not normally contract with MnDOT.

The four different methods use data that report multiple industries for many of the firms in their databases. Table 4 presents the details of the weighted availability rate using all NAICS code level. When using the main NAICS code level computation, the base goal is found to be 8.03 percent. This base goal is used in subsequent analyses.

Table 4: FHWA Availability Rates and Base Goal

Method	PJM-1	PJM-2	VJM-1	Weighted Base Goal
Bidders List Method	5.06%	3.87%	2.81%	8.03%[14]
DBE List Method	7.31%	8.89%	6.47%	
Vendors List Method	11.85%	11.04%	18.73%	
D&B Method	7.48%	7.04%	5.70%	

Source: Author's calculation using FHWA data files, D&B, and U.S. Census data

Adjustments to the Base Goal

According to the USDOT regulations, recipients of federal funds are required to adjust their base goals in light of other evidence regarding the market area [*49 C.F.R. §26.45(d)*]. One valid reason for adjusting the goal would be if the analysis showed discrimination, either in the overall market place or in the specific agency or governmental unit undertaking the procurement and contracting process.

The research team used two standard methods to measure and detect market discrimination in prime and subcontract award amounts at the contract-level.[15] The first method computes the percentage difference in log-transformed (natural log) contract amounts that cannot be explained by relevant characteristics of the firm, the contract, or the industry. This method estimates a regression equation that controls for relevant factors and also whether a firm is a DBE. The coefficient on the DBE term (appropriately transformed) measures the discrimination that DBEs face in competing for prime or subcontracts. This method is called the "dummy variable" method because it computes the discrimination measure from the coefficient on the dummy variable, DBE. The estimated equation is as follows:

$$\ln(\text{Award Amount}) = \beta_0 + \beta_1 DBE + \mathrm{X}'\beta + \varepsilon$$

Where X vector contains control factors such as year, credit risk, geographic dummy, size of firm, age of firm and industry types.[16]

A second method, called the Blinder-Oaxaca-Duncan residual difference decomposition[17], estimates separately the log-transformed contract amounts to DBEs and non-DBEs and computes the amount that DBEs would have received had they been treated like equally situated non-DBEs. The difference between the actual contract

14 Note that the weighted base goal is not a simple average of the measures shown in the table. Instead, it is the weighted average using the percent distribution of contract amount by geographic market area. See Table 8 for details.

15 Blinder, Alan, (1973), Wage Discrimination: Reduced Form and Structural Estimates, Journal of Human Resources, 8, issue 4, p. 436-455; Oaxaca, Ronald, (1973), Male-Female Wage Differentials in Urban Labor Markets, International Economic Review, 14, issue 3, p. 693-709

16 See Table c-1 for details of the variables included in the model.

17 Many analysts reference the technique simply as the Oaxaca method, due to the continuing role that Ronald Oaxaca has played in developing and expanding the decomposition methodology.

amounts and the "equal-treatment" amounts defines the discriminatory portion of the gap between DBEs and non-DBEs.

Factors included in the control for relevant characteristics include: year of contract, industry, whether the firm is located in Minnesota, and the credit rating, tenure, size and revenues of the firm. The research team estimated the measures of discrimination for prime contracts and subcontracts for different model specifications. The reasons for different specifications include the fact that there are missing values for some observations on the credit risk, tenure, and size of firms.

The base goal is adjusted using the average from the best regression models – dummy variable method and residual difference composition - for prime and subcontractors contract disparities. This adjustment equals 45.7 percent.[18]

Race Neutral Analysis

In compliance with federal regulations, state and local transit authorities must identify the maximum feasible portion of the DBE goal that can be achieved through race-neutral measures and the percentage of the goal that can only be achieved through race-conscious measures [*49 C.F.R. §26.51(a)*]. Myers and Ha have pioneered the use of a detailed econometric procedure that maximizes the race-neutral component of the DBE goals.[19] This method has established a rigorous standard for maximizing the race neutral portion of the overall DBE goal.[20]

The logic of the analysis is that some share of DBE dollars awarded would have gone to DBEs without goals. One can compute the share of dollars that would have gone to DBEs without goals for contracts and firms that are comparable. This method requires the estimation of a regression model that controls for a list of relevant variables.

The race neutral analysis uses the best regression model for predicting DBE contract amounts with and without goals. Following this specification, our analysis shows that 38.2 percent of the goal can be achieved through race neutral measures and 61.8 percent can be achieved through race conscious goals.

18 Standard regression and Oaxaca command in Stata 13 is used for the analysis.

19 Myers, Samuel L. and Inhyuck "Steve" Ha. "Estimation of Race Neutral Goals in Public Procurement and Contracting," Applied Economics Letters, 2009, vol. 16, issue 3, pages 251-256.

20 2010-10-19, Civil Action No. 04-2425, GEOD CORPORATION, et al., Plaintiffs v. NEW JERSEY TRANSIT CORPORATION, et al., Defendants.

Appendix D: FY 2017 Annual Report of DBE Commitments/ Awards and Payments to FHWA

UNIFORM REPORT OF DBE COMMITMENTS/AWARDS AND PAYMENTS

Please refer to the instruction sheet for directions on filling out this form

1	Submitted to (check only one)	[X] FHWA	[ ] FAA	[ ] FTA - Recipient ID Number		
2	AIP Numbers (FAA Recipients); Grant Number (FTA Recipients):					
3	Federal Fiscal year in which reporting period falls	FY 2017	4. Date This Report Submitted:		12/1/2017	
5	Reporting Period	[ ] Report due June 1 (for period Oct 1-Mar 31)	[ ] Report due Dec 1 (for period April 1-Sep 30)		[x] FHWA annual report due Dec 1	
6	Name and address of Recipient:	Minnesota Department of Transportation				
7	Annual DBE Goal(s):	Race Conscious Projection: 7.2%	Race Neutral Projection: 4.5%		OVERALL Goal: 11.7%	

Awards/Commitments this Reporting Period

		A	B	C	D	E	F	G	H	I
A	**AWARDS/COMMITMENTS MADE DURING THIS REPORTING PERIOD** (Total contracts and subcontracts committed during this reporting period)	Total Dollars	Total Number	Total to DBEs (dollars)	Total to DBEs (number)	Total to DBEs/Race Conscious (dollars)	Total to DBEs/Race Conscious (number)	Total to DBEs/Race Neutral (dollars)	Total to DBEs/Race Neutral (number)	Percentage of total dollars to DBEs
8	Prime contracts awarded this period	$ 624,527,595	346	$ 635,316	5			$ 635,316	5	0.1%
9	Subcontracts awarded/committed this period	$ 134,614,165	1034	$ 57,615,354	604	$ 52,841,488	575	$ 4,773,866	29	42.8%
10	**TOTAL**			$ 58,250,670	609	$ 52,841,488	575	$ 5,409,182	34	9.3%

		A	B	C	D	E	F
B	**BREAKDOWN BY ETHNICITY & GENDER**	Total to DBE (dollar amount)			Total to DBE (number)		
		Women	Men	Total	Women	Men	Total
11	Black American	$ 33,362	$ 2,725,630	$ 2,758,992	1	29	30
12	Hispanic American	$ 348,057	$ 614,570	$ 962,627	4	17	21
13	Native American	$ 246,385	$ 5,821,275	$ 6,067,659	1	10	11
14	Asian-Pacific American	$ 282,329	$ 318,441	$ 600,771	2	6	8
15	Subcontinent Asian Americans	$ -	$ 288,607	$ 288,607	0	21	21
16	Non-Minority	$ 47,572,014	$ -	$ 47,572,014	518	0	518
17	**TOTAL**	$ 48,482,147	$ 9,768,523	$ 58,250,670	526	83	609

Payments Made this Period

		A	B	C	D	E	F
C	**PAYMENTS ON ONGOING CONTRACTS**	Total Number of Contracts	Total Dollars Paid	Total Number of Contracts with DBEs	Total Payments to DBE firms	Total Number of DBE firms Paid	Percent to DBEs
18	Prime and subcontracts currently in progress	614	$ 537,780,127.14	276	$ 38,529,873.91	160	7.16%

		A	B	C	D	E
D	**TOTAL PAYMENTS ON CONTRACTS COMPLETED THIS REPORTING PERIOD**	Number of Contracts Completed	Total Dollar Value of Contracts Completed	DBE Participation Needed to Meet Goal (Dollars)	Total DBE Participation (Dollars)	Percent to DBEs
19	Race Conscious	280	$ 707,010,831.94	$ 49,464,682.29	$ 48,113,702.17	6.8%
20	Race Neutral	152	$ 24,737,834.00		$ 195,021.31	0.8%
21	Totals		$ 731,748,665.94		$ 48,308,723.48	6.6%

22	Submitted by: D. Kimberly Collins	23. Signature:	24. Phone Number: (651) 366-3150