

Washington State Department of Transportation's Federal Aviation Administration Disadvantaged Business Enterprise Goal Federal Fiscal Years 2024-2026

Please note that the overall triennium goal set forth in this methodology is only the interim until the completion of our current disparity study estimated to be completed in the Fall of 2023. A new methodology will be drafted, vetted and WSDOT will revise the current triennium goal and once again allow opportunity for public comment.

The Washington State Department of Transportation (WSDOT) submits this Disadvantaged Business Enterprise (DBE) goal methodology to the Federal Aviation Administration (FAA) for review and approval pursuant to 49 CFR § 26.45 to establish the DBE goal for its upcoming federally-assisted airport contracts. WSDOT has established a DBE goal of 12.65%. The 12.65% goal is based on the availability results of the 2019 Airports DBE Program Disparity Study. Based on the type of work anticipated in WSDOT's upcoming FAA-funded contracts, and the estimated cost, WSDOT has determined that the 12.65% goal can be met through 6.3% race/gender-neutral measures and 6.35% race/gender conscious measures.

As required by the regulations, WSDOT will meet the maximum feasible portion of its overall goal by using race-neutral measures to facilitate DBE participation. WSDOT will employ ongoing and new initiatives to reduce discriminatory barriers, increase capacity, and level the playing field for the participation of DBEs and other small contractors.

Disadvantaged Business Enterprise Goal Methodology

To meet the requirements of 49 CFR § 26.45, WSDOT commissioned a Disparity Study from Colette Holt & Associates (CHA), a nationally recognized law and consulting firm. The Study provides a statistical analysis of baseline DBE availability, which was used to establish the Step 1 base figure estimate of DBE availability in WSDOT's markets. The Study further analyzed Census Bureau and other econometric and social science evidence to determine whether there are disparities between DBEs and non-DBEs in factors affecting entrepreneurial success on WSDOT's contracts and subcontracts. It also provided anecdotal data on DBEs' experiences in seeking WSDOT prime contracts and associated subcontracts, and whether firms owned by minorities or women have equal opportunities to compete.

Step One Base Figure

Definition of WSDOT's contracting market

The first element in estimating DBE availability is to determine the relevant product and geographic markets for WSDOT's FAA-assisted contracts. The Disparity Study used the well-accepted standard of identifying the firm locations that account for at least 75% of contract and subcontract dollar payments in the contract data file. Location was determined by ZIP code and aggregated into counties as the geographic unit. The State of Washington captured 94.3% of the unconstrained product market dollars and, therefore, the state constituted the geographic market for the Airports. This approach incorporates WSDOT's advice to use the most detailed data available and to weight that data by the recipient's expenditures. See WSDOT's [Tips for Goal Setting webpage](#). It also separates firms by detailed function, delineating, for example, general contractors from specialty trade firms that primarily act as subcontractors on WSDOT projects.

Counting establishments in WSDOT's relevant markets

The Study used the Master D/M/WBE Directory, combined with the results of an exhaustive search for directories and other lists containing information about minority-and women-owned businesses to establishments in WSDOT's relevant markets. The resulting list of minority and women businesses was comprehensive. After compiling the Master D/M/WBE Directory, the Study limited the firms to those operating within WSDOT's constrained product market (i.e. Washington State).

The Study next developed a custom database from Hoovers, a Dun & Bradstreet company. Hoovers maintains a comprehensive, extensive, and regularly updated listing of all firms conducting business. Hoovers contains a vast amount of information on each firm, including location and detailed industry codes, and is the broadest publicly available data source for firm information. The Study purchased the information from Hoovers for the firms in the NAICS codes located in WSDOT's market area in order to form a custom Dun & Bradstreet/Hoovers Database. In the initial download, the data from Hoovers simply identify a firm as being minority-owned. However, the company does keep detailed information on ethnicity (i.e., if the minority firm owner is Black, Hispanic, Asian, or Native American). The Study obtained this additional information from Hoovers by special request. The Study merged all three databases to form an accurate estimate of disadvantaged, minority, -and women-owned firms (collectively, "DBEs") availability as a percentage of all firms to WSDOT.

Estimating baseline DBE availability

Using the "custom census" approach to estimating availability, and the further assignment of race and gender (using the Master Directory and other sources); the Study estimated 13.4% as the overall, unweighted DBE availability in the relevant markets. The table below presents the unweighted availability data for all product sectors combined for the racial and gender categories.

NAICS	Black	Latino	Asian	Native American	White Women	Overall DBE Goal	Non-DBE
236220	1.40%	1.80%	1.70%	3.00%	6.40%	14.20%	85.80%
237310	1.50%	3.30%	1.70%	4.20%	7.10%	17.70%	82.30%
238110	0.10%	1.90%	0.40%	0.80%	4.00%	7.10%	92.90%
238120	3.80%	4.80%	3.80%	2.90%	10.50%	25.70%	74.30%
238150	0.60%	1.10%	0.00%	0.00%	9.60%	11.30%	88.70%
238160	0.00%	0.50%	0.40%	0.00%	3.30%	4.20%	95.80%
238210	0.40%	0.50%	0.30%	0.50%	4.10%	5.80%	94.20%
238220	0.30%	0.40%	0.20%	0.50%	3.00%	4.30%	95.70%
238310	0.30%	0.90%	0.00%	0.40%	2.50%	4.10%	95.90%
238350	0.80%	1.10%	0.50%	0.30%	3.60%	6.30%	93.70%
238910	0.80%	1.60%	0.60%	1.70%	6.00%	10.80%	89.20%
326199	0.50%	0.50%	0.50%	0.00%	8.40%	9.90%	90.10%
484220	4.70%	2.70%	1.60%	3.10%	12.50%	24.60%	75.40%
541330	0.50%	0.80%	3.00%	0.80%	5.60%	10.70%	89.30%
541370	1.10%	1.40%	1.60%	3.40%	7.30%	14.90%	85.10%
541620	0.80%	1.40%	2.10%	0.80%	21.30%	26.50%	73.50%
561730	0.20%	0.70%	0.60%	0.20%	5.40%	7.00%	93.00%

WSDOT reviewed all of its upcoming FAA funded contracts. WSDOT summed the estimated project cost and then assigned NAICS codes to the spending amounts.

Year	Project Name	NAICS	Project Spend
2024	Pavement Maintenance Runway, Taxiway Connector, and Apron Pavement Surfaces	238110	\$263,000
2024	Statewide Disparity Study (DBE)	541611	\$1,200,000
2025	Master Plan Update Study	541330	\$263,000
2026	Update Statewide Pavement Condition Index Study	541330	\$1,000,000

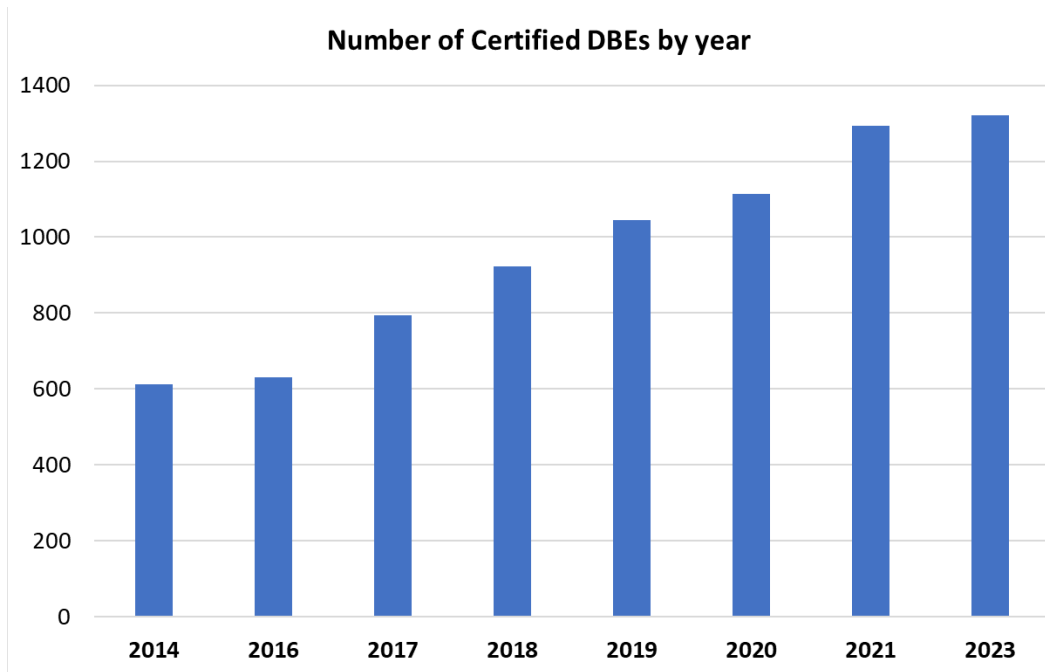
WSDOT multiplied the estimated cost of each project by the availability of the assigned NAICS codes. WSDOT then summed the amount of funds that should go to DBEs based on availability.

NAICS	Project Spend	DBE Availability	Projected DBE Spend
238110	\$263,000	7.1%	\$18,673
541611	\$1,200,000	15.6%	\$187,200
541330	\$263,000	10.7%	\$28,141
541330	\$1,000,000	10.7%	\$107,000
Total Cost Estimate:	\$2,726,000	Total Projected DBE Spend:	\$341,014

Dividing \$341,014 by \$2,726,000 yielded approximately 12.5% of funds that should be awarded to DBEs in the absence of discrimination. The base 12.5% goal is supported by the increasing amounts of businesses being certified as a Disadvantaged Enterprise. According to data from the Office of Minority & Women's Business Enterprise's certified directory, the number of certified DBEs continues to increase.

The table below shows the number of certified DBEs. In 2014, the certified directory had 611 DBEs. Currently, the certified directory has 1322 DBEs, a 46% increase.

Year	No. of DBEs
2014	611
2016	630
2017	794
2018	923
2019	1045
2020	1115
2021	1294
2022	1322



Moreover, all NAICS codes relevant to FAA projects have increased significantly since 2014.

FAA	2023	2020	2014
NAICS	DBEs	DBEs	DBEs
236220	102	78	24
237310	152	135	75
238110	39	39	26
238120	29	25	15
238150	3	2	1
238160	5	8	5
238210	56	58	19
238220	31	23	19
238310	9	9	12
238350	18	22	13
238910	100	80	57
326199	0	0	0
484220	91	84	52
541330	159	164	81
541370	31	36	21
541620	108	88	45
561730	56	45	33

The steady increase of DBEs provides strong evidence that WSDOT will be able to meet its proposed step one base goal of 12.5%.

Disparities affecting DBE opportunities

In addition to the custom census approach, the Study explored the Census Bureau data and literature relevant to how discrimination in the Washington State airports market and throughout the wider economy affects the ability of minorities and women to fairly and fully engage in WSDOT's prime contract and subcontract opportunities. Data from the Census Bureau's Survey of Business Owners indicate very large disparities between Minority and Women's Business Enterprises (M/WBE) firms and non-M/WBE firms when examining the sales of all firms, the sales of employer firms (firms that employ at least one worker), or the payroll of employer firms.

	Total Number of Firms (All Firms)	Sales & Receipts All Firms (\$1,000)	Number of Firms with Paid Employees (Employer Firms)	Sales & Receipts All Firms with Paid Employees (Employer Firms) (\$1,000)	Number of Paid Employees	Annual payroll (\$1,000)
Black	2.62%	0.18%		0.13%	0.40%	0.21%
Latino¹	4.51%	4.91%	2.85%	²		
Native American	1.21%	0.16%	0.62%	0.14%	0.26%	2.12%
Asian	8.41%	2.43%	10.04%	2.23%	3.42%	2.12%
Non-White	17.40%	7.78%	14.80%	7.56%	5.69%	4.53%
White Women	27.29%	3.28%	15.00%	2.83%	5.69%	3.87%
White Men	39.94%	22.73%	43.95%	22.02%	35.57%	21.21%

Data from the Census Bureau's American Community Survey (ACS) indicate that Blacks, Hispanics, Native Americans, Asian/Pacific Islanders, Others, and White women were underutilized relative to White men. Controlling for other factors relevant to business outcomes, wages and business earnings were lower for these groups compared to White men.

Data from the ACS further indicate that non-Whites and White women are less likely to form businesses compared to similarly situated White men. The literature on barriers to access to commercial credit and the development of human capital further reports that minorities continue to face constraints on their entrepreneurial success based on race. These constraints negatively affect the ability of firms to form, grow, and succeed.

The Study recognized that these results are difficult to quantify within the rigors of the strict scrutiny standards. However, the results are still relevant and probative to whether WSDOT needs to continue to employ race-conscious measures to meet its DBE goal, as well as the types of supportive services and other approaches to level the playing field WSDOT should consider.

¹ The percentage of Latinos can result in percentages exceeding 100%. Latino is considered an ethnicity rather than a racialized group.

² There were many cases when the Census Bureau did not report information because the data was not up to the Bureau's reporting standard or the Bureau reported a range of numbers instead of one value. As a consequence, a percentage could not be calculated and, in these cases, the value will be entered into the table as"---"

Disparities affecting DBE opportunities

The Study explored the Census Bureau data and literature relevant to how discrimination in the Washington State highway industry market and throughout the wider economy affects the ability of minorities and women to fairly and fully engage in WSDOT's prime contract and subcontract opportunities. Data from the Census Bureau's Survey of Business Owners indicate very large disparities between Minority and Women's Business Enterprises (M/WBE) firms and non-M/WBE firms when examining the sales of all firms, the sales of employer firms (firms that employ at least one worker), or the payroll of employer firms. Data from the Census Bureau's American Community Survey (ACS) indicate that Blacks, Hispanics, Native Americans, Asian/Pacific Islanders, Others, and White women were underutilized relative to White men. Controlling for other factors relevant to business outcomes, wages and business earnings were lower for these groups compared to White men. Data from the ACS further indicate that non-Whites and White women are less likely to form businesses compared to similarly situated White men.

Section II: Step Two Adjustment

Once the base figure has been calculated, WSDOT must examine all of the evidence available in its jurisdiction to determine if an adjustment is necessary to the base figure to reflect the level of DBE participation expected absent the effects of discrimination. Included among the types of evidence that must be considered are the current capacity of DBEs to perform work on WSDOT's federally-assisted contracts, as measured by the volume of work DBEs have performed in recent years, and evidence from disparity studies conducted anywhere within WSDOT's jurisdiction, to the extent not already accounted for in the base figure. If available, WSDOT must also consider available evidence from related fields that affect the opportunities for DBEs to form, grow and compete, including statistical disparities in the ability of DBEs to obtain the financing, bonding and insurance required to participate in the Program, and data on employment, self-employment, education, training, and union apprenticeship programs, to the extent relevant to the opportunities for DBEs to perform in the Program. The regulations caution that any adjustment to the base figure to account for the continuing effects of past discrimination or the effects of an ongoing DBE program must be based on "demonstrable evidence that is logically and directly related to the effect for which the adjustment is sought." §26.45(d)(3).

Past DBE Utilization

WSDOT considered the current capacity of DBEs to perform work in Washington State, as measured by the amount of work performed by certified DBEs on federal-aid projects over the past three years. WSDOT's median DBE participation for FFY 2020 through FFY 2022 was 12.8%

Federal Fiscal Year	DBE Participation
FFY 2020:	30.4%
FFY 2021:	12.8%
FFY 2022:	12.7%

WSDOT considered utilizing the past participation of 12.8% averaged with the 12.5% availability for an overall DBE goal of 12.65%. WSDOT is proposing to utilize the 12.65% overall DBE goal due to the large variety of race-neutral measure available to the department and described further in the document.

Section III: Projection of Race-Neutral vs. Race-Conscious Goal Attainment

The regulations require that WSDOT must meet the maximum feasible portion of its overall goal by using race-neutral measures to facilitate DBE participation. Ongoing and new initiatives seek to reduce discriminatory barriers, increase capacity, and level the playing field for the participation of DBEs and other small contractors. They are also designed to assist WSDOT in meeting the increased goal for DBE participation by prime contractors and subcontractors.

The Study found that DBEs face disparities in full and fair access to Washington airport contracts. While not all disparity ratios in every industry code for each racial and ethnic group and non-Hispanic White females were statistically significant, large disparities remain overall. Further, DBE utilization on state-funded contracts, for which no goals were set, was extremely low. Coupled with the additional anecdotal and economy-wide evidence, the Study findings paint a clear picture of a mostly closed market. These results strongly suggest that narrowly tailored contract goals remain necessary to ensure nondiscrimination.

Past DBE race-neutral participation

To estimate the portions of the goal to be met through race/gender-neutral and race/gender-conscious measures, WSDOT evaluated past race/gender-neutral DBE participation, as defined in 49 CFR § 26.SI(a). WSDOT's total percentage on federal-aid contracts through race-neutral means for FFY 2020 through 2022 was 6.3%.

Federal Fiscal Year	Total DBE Participation	Race/gender-Neutral Participation	Race/gender-Conscious Participation
2022	12.7%	12.7%	0.0%
2021	12.8%	12.8%	0.0%
2020	30.4%	3.1%	27.3% ³

WSDOT therefore projects that it will meet 6.3% of its overall goal through race/gender-neutral measures and 6.35% of its overall goal through race/gender-conscious measures. WSDOT will monitor DBE participation throughout the year to adjust its use of contract goals to ensure that their use does not exceed the overall goal.

Section IV: Race-neutral measures to achieve DBE participation

To meet the regulatory requirement that the maximum feasible portion of its overall goal is met through race-neutral measures, WSDOT will implement specific, targeted measures to facilitate DBE participation. The implemented measures will seek to reduce discriminatory barriers, increase capacity, and level the playing field for the participation of DBEs and other small contractors. These measures are designed to assist WSDOT in meeting the increased goal for DBE participation by prime contractors and subcontractors. WSDOT will maximize outreach efforts to the DBE contracting community and the use of DBE Support Services to increase the utilization and support of DBEs that participate on upcoming WSDOT projects.

³Most of the DBE participation in 2020 resulted from a single contract with Collette Holt & Associates, a certified DBE firm, for the 2020 Airports Disparity Study. The contract resulted in a higher percent of participation compared to prior years

Support Services

WSDOT provides the following support services to DBEs:

- Immediate and long-term business management, record keeping, financial and accounting capabilities;
- Long-term development assistance to increase opportunities to participate in more varied and significant work, and to achieve eventual self-sufficiency;
- Programs on contracting procedures and specific contract opportunities;
- Assistance in obtaining bonding or financing;
- Assistance to start-up firms, particularly in fields with historically low DBE participation;
- Identification of potential highway-related DBEs and prequalification assistance; and
- In an effort to increase awareness of the DBE Support Services program, WSDOT has developed a DBE Support Services hotline (888) 259-9143, email address dbess@wsdot.wa.gov, and website: www.wsdot.wa.gov/EqualOpportunity/DBE.htm.

Outreach and Networking

WSDOT engages in several outreach efforts to minority and women's organizations to enhance DBE opportunities on WSDOT projects. These efforts include but are not limited to:

- Sponsorship of the annual Regional Contracting Forum held in Seattle, Washington, in partnership with state, local and federal agencies. Last year's event attracted approximately 2,000 individuals.
- Works with organizations such as the Northwest Minority Supplier Diversity Council, Women in Construction, USDOT's Small Business Transportation Resource Center, the Women's Transportation Seminar, Tabor 100, the National Association of Minority Contractors, Association of General Contractors, American Council of Engineering Companies, the Office of Minority and Women's Business Enterprises and other groups to promote the DBE Program.
- Establishing another Washington State DBE Advisory Group comprised of WSDOT divisions and local agencies, among others, that will advise WSDOT on DBE issues, including but not limited to, goal setting, outreach, training, etc.

Emerging Contractor Support Initiatives

WSDOT recognizes the necessity of developing new and innovative race-neutral contractor support services such as the Capacity Building Mentorship Program; the Minority, Small, Veteran and Women's Business Enterprise Program; and the DBE Support Services Program. This process involved examining other states' strategies, as well as working with the DBE Advisory Group, construction, consulting, and minority and women business organizations to improve our programs and services.

Section IV: Public Participation

To satisfy the public consultation requirements of 49 CFR § 26.4S(g)(1), below is a timeline of our efforts for the public outreach conducted by WSDOT:

- June 28, 2023:
 - DBE advisory group written notification of proposed overall goal sent.
 - WSDOT publishes notice announcing Proposed FAA, FTA, FHWA overall Goal and seeking public comment.

- June 28, 2023 through July 28, 2023: Period for public comment on overall FHWA, FAA goals opens.
- July 13, 2023: First public hybrid online/in-person meeting about proposed overall FHWA, FAA goals⁴
- July 25, 2023: Second public hybrid online/in-person meeting about proposed overall FHWA, FAA goals.
- July 28, 2023: Opportunity for public comment closes.
- By August 1, 2023: Submit overall goals for FHWA, FAA (with public comment).
- October 1, 2023: Pending FHWA, FAA approval, overall goals go into effect.

Published Notice

To satisfy the public consultation requirements of 49 CFR § 26.4S(d)(2), WSDOT provided a press release to all media outlets in Washington State and published the proposed overall annual DBE goal for the triennium in the Seattle Daily Journal of Commerce on July 12. Included in its press release and publication was WSDOT's request for public comment and inspection of the goal methodology. The period for accepting public comments was open from June 28 to July 28.

Press releases TBD

⁴ The public meetings will jointly cover the goal methodologies for FTA, FHWA, and FAA.