

# South Carolina Department of Transportation FFY 2015-17 Goal Setting Methodology for Federal Public Transit Funds

## Introduction

The South Carolina Department of Transportation, herein after referred to as SCDOT, has prepared this document to describe the methodology used to establish the overall Disadvantaged Business Enterprise (DBE) goal for its Federal Transit Administration (FTA) financially-assisted transit projects mandated by code of Federal Regulations (CFR) 49 Part 26. When establishing this goal, SCDOT relied upon and adhered to guidance provided by the regulations.

49 CFR, Part 26, §26.45 requires a two-step process for setting the overall DBE goal, which should reflect the expected level of DBE participation in SCDOT contracts in absence of discrimination.

SCDOT proposes to establish its DBE overall goal for Federal Fiscal years 2015-2017 at **3.5%** with the entire amount projected to be met through race-neutral measures.

## **Annual Goal Methodology Process (Two Step Process)**

### **1) Step One- Establishing the Base Figure 49 CFR § 26.45 (c)**

The Base Figure represents the relative availability of ready willing and able DBE firms as compared to all firms ready, willing and able to perform work for SCDOT. This ratio, expressed as a fraction, is as follows:

$$\frac{\text{DBEs}}{\text{Non-DBE's and DBEs}}$$

SCDOT decided not to utilize the bidder's list approach because many of the DBE/MWBE firms identified by the grantees are not certified and listed in the South Carolina Unified Certification Program (SCUCP) Directory. SCDOT chose to utilize the total number of DBEs in the SCUCP Directory **plus** those listed in the SC Governor's Office of Small and Minority Business Assistance Directory (for prospective DBE's) and the census data for the State of South Carolina market area, as allowed by 49 CFR, Part 26, § 26.45 (c) (1), to determine the base figure. SCDOT also included potential DBE listings from the SC Governor's Office of Minority Business Assistance in an effort to more accurately reflect the potential DBEs in the market area since many of the disadvantaged businesses that may be ready, willing and able to provide transit related services are not yet listed in the SCUCP.

In previous years, SCDOT captured transit related contract opportunities primarily in the technical assistance category, but in 2010 SCDOT started to capture DBE contract opportunity

data from the transit sub-recipients for all categories of funding under the Rural Program. In reviewing the FY2015 budgets from both the State Administration and the local transit agencies, it was determined that while there are no planned contract opportunities available at the state level, there may be possibilities for DBE contract opportunities available at the sub-recipient or local transit agency level.

The identified categories of work include accounting services; advertising and marketing services; office supplies; automotive parts and accessories; and employee background checks and drug testing services. Please see **Table 1** below which lists each of the relevant North American Industry Classification codes, the available categories of work, the number of SCDOT Certified DBEs, the potential DBEs certified by the SC Governor’s Office, a listing of all non-DBE’s from the most recent SC Economic Census data (Updated January 6, 2012) and the contract dollar amount associated with each available contract opportunity.

SCDOT expects the annual federal transit allocation to remain the same over the next three years (through the 2016-17 federal fiscal years) and thus, SCDOT has projected the same base figure referenced below for the FFY16-17 funding period.

**Table 1: Relative Availability DBEs by Categories of Work**

NAICS CODES	CATEGORY OF WORK	Certified DBES	Prospective DBEs *(MWBEs)	**Non-DBEs & DBEs Total
541011	Accounting Services	2	6	645
541810	Advertising/Public Relations	16	17	122
453210	Office Supplies	2	6	105
621999	Drug Testing/Background Checks	2	7	42
441310	Automotive Parts & Accessories	1	3	645
<b>Total</b>		<b>23</b>	<b>39</b>	<b>1559</b>

\*SC Governor’s Office of Small and Minority Business Assistance Directory (Updated May 22, 2014)

\*\*US Census Economic Data by NAICS for South Carolina (Last updated January 6, 2012)

Using the data collected and indicated in **Table 1** above, SCDOT determined the relative availability of DBEs for public transit contracts in the market area to be **3.97%** or approximately **4.0%** as indicated below:

$$\frac{62 \text{ (Certified and Prospective) DBEs}}{1559 \text{ (Total Market Area Firms)}} = 3.97\%$$

Based on this, SCDOT has determined its **Base Figure** (relative availability of DBEs) to be **4.0%**.

## II. Step Two- Adjusting the Base Figure 49 CFR § 26.45 (d)

The regulations require the Base Figure to be adjusted based upon the other evidence as follows:

### A. Capacity

Capacity is based upon the volume of work certified DBEs have performed in the past. The question is whether the DBE firms can handle the volume of work in the same ratio as the **Base Figure** which is calculated above at 4.0%.

The race-neutral goal for the past three fiscal years is outlined in **Table 2** below:

**Table 2- Transit Contract Awards FY2011-13**

FFY	Total Awards	DBE Awards	DBE % Achievement	Race Neutral Goal
2011	\$6,771,281	\$181,193	2.7%	5.0%
2012	\$3,415,359	\$25,330	.7%	3.5%
2013	\$3,047,253	\$86,597	2.8%	3.5%

\*Source: FTA Uniform Reports of DBE Awards and Payments

A review of the contract awards in the above **Table 2** indicates the race neutral goal was not achieved for the past three years. Although contract awards dollars were higher for FFY2011, many of those funds were the American Recovery and Reinvestment Act (ARRA) contracts. Those funds were a special federal authorization which allowed for an increase in capital rolling stock purchases and transit facility construction. During FFY 2013, SCDOT achieved a higher goal because the agency utilized a DBE consultant for an in-house project through a race neutral participation.

### B. Contract Dollars Available

The South Carolina DOT FFY2015 apportionment for the section 5311 Rural Program is \$12,797,731.00 and of that amount \$9,243,350.00 has been allocated to local sub-recipient agencies. SCDOT has indicated that there will not be any contracting opportunities available from the State Administration funds. This category of funds is less than 10% of the state apportionment, and will be used for salaries, travel and training. However, a review of the twenty three (23) local sub-recipient agency budget requests indicates that there may be contracting opportunities available at the local level. Since SCDOT does not anticipate having an increase in federal dollars over the next three federal fiscal years, the contract dollar amounts are anticipated to remain the same for FFY 15-17 and thus, the contract dollar amounts and the

DBE goal for FFY 2015-17. The breakdown of the FFY 2015-17 annual federal dollars available for contract opportunities is outlined below in **Table 3** as follows:

**Table 3- Available Transit Contract Dollars**

NAICS CODES	CATEGORY OF WORK	Certified/Prospective DBES	NON-DBEs & DBEs	CONTRACT DOLLARS Available
541011	Accounting Services	8	645	\$142,902
541810	Advertising/Public Relations	33	122	\$26,248
453210	Office Supplies	8	105	\$96,559
621999	Drug Testing/Background Checks	9	42	\$9,585
441310	Automotive Parts & Accessories	4	645	\$122,428
<b>Total</b>		<b>62</b>	<b>1559</b>	<b>\$397,722</b>

The above **Table 3** indicates possible contract opportunities for upcoming years. Although the Office Supplies category is notated as \$96,559 in contracting opportunity dollars, a majority of the smaller providers utilize the state contract because it is more cost effective in ordering a smaller quantity of merchandise. Also, it may not be more practicable for a smaller agency to purchase Automotive Parts & Accessories for capital items in large bulk. State contract provides the best options to meet the demands in this category.

### **III. Step Three-Setting the Public Transit Goal**

The last three year's attainment has been race-neutral. SCDOT used *Tips for Goal Setting in the DBE Program* to determine the approach for establishing the new DBE goal. SCDOT adjusted the Step One Base Figure by using the median of the past three year's participation. By taking Step One Base Figure (4.0%) and the median three year's past participation percentage (2.7%) and dividing by 2 resulted in an average of 3.4%. Because of the anticipated outreach opportunities, SCDOT believes it is reasonable to establish a DBE goal of 3.5%.

Based on the above analysis, SCDOT proposes to establish its FFY 2015-17 overall DBE transit goal of **3.5%** to be met through race neutral measures.