



Fiscal Year 2019-2020 Report

Highway Construction Training and Disadvantaged Business Enterprise Program

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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 Enterprise		✓
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:

- 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 Program

The On-the-Job Training program is a federal mandate requiring MnDOT to set goals for the employment of minorities, women and disadvantaged persons 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 partners with many stakeholders to provide construction-related trainings, educational courses and pre-apprenticeship opportunities for underrepresented groups.

Disadvantaged Business Enterprise Program

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 Unified Certification Program, a multi-agency committee that includes MnDOT, which manages matters related to certification. MnDOT's Office of Civil Rights administers the DBE program by performing a variety of functions such as certifying DBE firms, assigning project goals, ensuring all contractors awarded MnDOT contracts meet DBE project goals or demonstrate good-faith efforts, and monitoring projects to ensure DBEs perform the work and are paid as contracted.

Targeted Group Business Program

Similar to the federal DBE program, the objective of the state Targeted Group Business program is to increase opportunities for traditionally under-used businesses in MnDOT construction and professional technical contracts. The program allows for targeted group business 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. The Minnesota Department of Administration oversees the TGB certification process.

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 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.

This legislative report is focused on the Disadvantaged Business Enterprise and On-the-Job Training 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 2019 and 2020. It is current as of January 2021.

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.

OCR Programs

The DBE and Workforce Collaborative operates as an advisory group to MnDOT regarding the DBE program and workforce initiatives. Legislation enacted in 2010, [Minn. Stat. 174.186](#), created the Collaborative and laid out the roles and responsibilities. . The Collaborative is comprised of numerous transportation and workforce stakeholder groups that provide recommendations for improvement of MnDOT’s civil rights programs

The Collaborative established a governance structure that includes a leadership committee with representatives from 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 ongoing. MnDOT provides a third-party facilitator who continues to work with the group and facilitates meetings. The Collaborative annually makes recommendations as needed for programmatic improvements in small business and workforce initiatives affecting 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 Program

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 2019 and 2020.

MnDOT's annual FHWA-approved On-the-Job Training goal was 190 trainees in calendar year 2019 and 2020. The actual number of minority and women OJT trainees approved for the program was 192 in 2019 and 196 in 2020. MnDOT's statewide DBE participation on federally funded transportation projects was 10.5 percent for FFY 2019 and 8.1 percent for FFY 2020, compared to a statewide annual goal of 12.2 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. DBE participation on MnDOT projects declined in FFY 2020, yet the general trend for DBE participation on MnDOT contracts is upward. MnDOT has two different organizations under contract to study and understand the effect of the COVID-19 pandemic on MnDOT's DBE firms. 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. 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

2019	2020
Ames Construction, Inc.	Lunda Construction Company
Lunda Construction Company	Shafer Contracting Co., Inc.
Shafer Contracting Co., Inc.	.

2019 and 2020 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: Calendar Year 2019

OJT Job Categories	Number of Trainees			
	Non-Minority Male	Non-Minority Female	Minority Male	Minority Female
Carpenter	0	2	9	1
Cement Mason	0	1	8	2
Electrician	0	0	5	0
Iron Worker	0	0	1	0
Laborer	0	13	70	10
Mechanic	0	0	0	0
Operating Engineer	0	17	13	10
Pile Driver	0	4	8	1
Pipelayer	0	0	0	0
Project Manager	0	0	1	0
Truck Driver	0	7	7	2
Engineer	0	0	0	0
Total	0	44	122	26
Percentage of Total	0%	23%	63.5%	13.5%

2019 Annual OJT Placement Goal	Actual 2019 OJT Placements
190	192

Table 4: On-the-Job Training Program: Calendar Year 2020

OJT Job Categories	Number of Trainees			
	Non-Minority Male	Non-Minority Female	Minority Male	Minority Female
Carpenter	0	2	4	3
Cement Mason	0	0	10	2
Electrician	0	0	0	0
Iron Worker	0	0	2	0
Laborer	0	25	65	10
Mechanic	0	0	0	0
Operating Engineer	1	15	22	8
Pile Driver	0	3	6	0
Pipelayer	0	0	5	0
Project Manager	0	2	0	0
Truck Driver	0	4	6	1
Engineer	0	0	0	0
Total	1	51	120	24
Percentage of Total	1%	26%	61%	12%

2020 Annual OJT Placement Goal	Actual 2020 OJT Placements
190	196

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 the 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, childcare, outreach, transportation to work sites, post-graduation follow-up, job site mentoring, pre-employment assessment, mediation and pre-and post-employment counseling.

MnDOT redesigned the program 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 four 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 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 childcare, transportation assistance, tools and safety equipment are provided to support graduates during their initial period of highway heavy employment.

In 2020, most of construction trades highway heavy trainings were cancelled due to COVID-19. However, there were a few trainings that were delivered:

- The Minnesota Department of Employment and Economic Development, in partnership with MnDOT's Office of Civil Rights delivered training in St. Paul. The training curriculum included teaching skills for an entry-level general laborers. Eleven 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.
- The Southeastern Minnesota Private Industry Council recruited, screened and provided highway heavy construction training for women, minorities and disadvantaged individuals living in Southeast Minnesota. Twenty-nine people graduated from the program.
- Minnesota State Riverland Community College provided training to women, minorities and disadvantaged individuals to teach the attendees the skills needed to obtain a commercial driver's license. Four individuals graduated from the program.
- During the reporting period, 44 students graduated from these programs and 16 graduates were placed on highway heavy projects in FY 2019 and 2020.

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 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 Forte, Mille Lacs, Red Lake and White Earth members in cement masonry. The training is provided by the Local 633 Training Center. A total of thirteen graduated from the program and eleven graduates were placed on highway heavy projects in 2019.
- 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. Advanced Minnesota provided four Commercial Driver's License training. A total of thirty-five people participated in the trainings. Fourteen people received their licenses, and three people are working towards a license. Four graduates were placed on highway heavy projects and ten graduates were placed on Bois Forte tribal government projects.

National Summer Training Institute

The NSTI is an educational initiative established by the USDOT and the FHWA to create awareness and stimulate interest among middle school 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 2019, there were two NSTI trainings, each two weeks long with a total of forty participants.
- In FFY 2020, the Office of Civil Rights was unable to host an institute due to COVID-19 restrictions.

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:

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

These services offer in-depth, one-on-one business assessments and the development of customized business plans for certified DBE firms. Additional technical assistance is made available through both classroom and individual technical training components that offer small businesses training with:

- 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 partnered with MaKee Company to develop a Small Business Resource Center offering small businesses education, training and resources to foster small business growth; however, the Center was closed during the pandemic and at this time, there are no plans to reopen. MnDOT also contracted with Project Solutions, Inc. to assist certified small businesses with bidding on specific scopes of work on highway construction projects, reading plans and matching scopes of work to DBE capacity and assisting with necessary technical expertise.

The goals of these resources include assessing small businesses, identifying their needs and growth opportunities, and then providing 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 to provide job training services for women and minorities, and business development assistance to DBE firms. OCR provides these programs statewide to improve opportunities for women and minorities and increase their eligibility for MnDOT contracts and projects.

MnDOT uses these training 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 enter 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 2022-2023. Table 5 also displays the actual MnDOT authorization amount awarded by FHWA for the current years and forecasted for years 2022-2023.

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

	2019	2020	2021	2022*	2023*
Apportionment	\$998,552	\$1,016,568.70	\$1,010,213.78	\$1,036,568.70	\$1,056,568.70
Special Allocation Supportive Services	\$701,448	\$1,483,431.30	\$1,489,786.22	\$1,463,431.30	\$1,443,431.30
Total	\$1,700,000	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
Authorizations Awarded	\$1,231,010	\$902,226	\$262,891	\$2,500,000	\$2,500,000

*These amounts are forecasted.

MnDOT forecasts full use of program funding; however, actual expenditures are dependent upon program development, contract execution, commencement of work and similar factors. MnDOT expended approximately \$1.7 million for the reporting years 2019 and 2020. 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 2019 and Table 7 (below) for 2020, 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. It should be noted that in FY 2020, most construction trades highway heavy trainings were canceled due to COVID-19.

Table 6: Fiscal Year 2019 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	\$499,250.49
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	\$4,144.80
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	\$277,015.38
Total Expenditures		\$780,410.67

Table 7: Fiscal Year 2020 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	\$281,188.15
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	\$68,862.50
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	\$535,930.06
Total Expenditures		\$885,979.71

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 independent, 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 is 12.2 percent for FFY 2019-2021. The commitment rate achieved was 10.5 percent for FFY 2019 and 8.1 percent for FFY 2020.

Goal Methodology and Public Participation

The overall statewide DBE goal of 12.23 percent for FFY 2019-2021 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
- 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.

Table 8: Annual Commitment Goals and Actual Commitment Achieved

Federal Fiscal Year	Statement DBE Commitment Goal	Contract Dollar Amount*	Commitment Rate Achieved	DBE Dollar Amount*
2019	12.23%	\$756,295,415	10.5%	\$70,027,923
2020	12.23%	\$829,052,148	8.1%	\$64,236,514

*Total federal funds awarded to DBEs

The “MnDOT Methodology for Computing Proposed FHWA DBE Goals FFY2019-2021” 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. 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 program served five applicants by providing financing for firms seeking working capital, project mobilization, payroll, materials and small equipment rentals. So far, one application has been approved for \$25,000 loan.
- 30 DBE firms attended business skill courses that assist DBEs to build technical expertise.

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 over-concentrated 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 meet, 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 "6 percent of the bid value is to be performed by DBEs."

- In 2019, OCR set contract-specific goals on 157¹ contracts. Of these, prime contractors met or exceeded the contract-specific goal on 156 contracts.
- In 2020, OCR set contract-specific goals on 154 contracts. Of these, prime contractors met or exceeded the contract-specific goal on 141 contracts.

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.

Table 9: MnDOT Projects with DBE Goals

GOAL	2019	2020
Total Contracts cleared	239	254
Race Conscious contracts (numerical goal set)	157	154
Met and / or exceeded the goal	156	142
Race / gender neutral contracts (no goal)	82	100
Good-faith efforts made	1	12

When a low bidder does not meet 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 2019, OCR evaluated good-faith efforts on one contract; in 2020, OCR evaluated good-faith efforts on 15 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, 16 contractors were evaluated by OCR as not making good-faith efforts. After completing the administrative due process of reconsideration, three 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.

Contracts with Targeted Groups - 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 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.

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.

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 6 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 2019 fiscal year, there were 177 state-funded MnDOT projects evaluated for a TGB goal. A list of 2019 contracts with TGB goals is provided in Appendix A.

- 93 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 10 of these projects.
- 84 projects had a TGB subcontractor goal above zero.
- 72 projects with a goal greater than zero met or exceeded goals.
- 181 subcontractors with a total value of \$21,321,920.61 were awarded to TGB firms.

During the 2020 fiscal year, there were 129 state-funded MnDOT projects evaluated for a TGB goal requirement. A list of 2020 contracts with TGB goals is provided in Appendix B.

- 56 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.
- 73 projects had a TGB subcontractor goal above zero.
- 60 projects with a goal greater than zero met or exceeded goals.

A total value of \$33,130,250.92 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: 2019 TGB Contract Awards

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

Date Awarded	State Project #	District	Awarded Amount	Commitment Amount	Set Goal	Achieved
7/2/2018	8825-630	M	\$1,510,740.40	\$65,035.00	4.00%	4.30%
7/5/2018	8823-336	3	\$616,044.50	\$5,400.00	0.00%	0.88%
7/5/2018	4302-92	8	\$2,537,267.43	\$33,168.90	1.00%	1.31%
7/5/2018	5508-125	6	\$348,843.00	\$26,170.00	5.70%	7.50%
7/5/2018	6982-321	1	\$962,372.95	\$181,217.33	8.20%	18.83%
7/6/2018	8825-705	M	\$344,274.80	\$0.00	0.00%	0.00%
7/6/2018	8823-337	3	\$536,234.00	\$26,000.00	0.00%	4.85%
7/6/2018	8823-339	3	\$3,482,119.89	\$0.00	0.00%	0.00%
7/6/2018	8824-162	4	\$576,038.00	\$0.00	0.00%	0.00%
7/6/2018	8823-340	3	\$1,450,100.00	\$12,500.00	0.00%	0.86%
7/6/2018	8825-659	M	\$4,108,531.18	\$377,278.00	1.30%	9.18%
7/9/2018	1030844		\$240,515.36	\$8,000.00	4.00%	3.33%
7/17/2018	8823-338	3	\$3,638,051.05	\$0.00	0.00%	0.00%
7/17/2018	1380-95	M	\$1,226,540.34	\$26,783.72	1.20%	2.18%
7/23/2018	1031043		\$280,965.37	\$0.00	0.00%	0.00%
7/24/2018	2771-109	M	\$393,715.00	\$0.00	0.00%	0.00%
7/24/2018	5211-69	7	\$1,670,152.63	\$112,984.75	3.10%	6.76%
7/24/2018	0704-110	7	\$1,013,666.95	\$51,541.00	4.10%	5.08%
7/27/2018	1030950		\$49,300.00	\$0.00	0.00%	0.00%
7/27/2018	2713-117	M	\$567,018.75	\$0.00	0.00%	0.00%
8/1/2018	1031050		\$300,839.88	\$257,400.70	30.00%	85.56%
8/3/2018	1030963		\$416,992.37	\$80,337.66	10.00%	19.27%
8/3/2018	1030840		\$214,692.36	\$58,271.40	20.00%	27.14%
8/8/2018	1031241		\$500,000.00	\$0.00	0.00%	0.00%
8/10/2018	1030616		\$1,319,043.40	\$0.00	0.00%	0.00%
8/15/2018	1030696		\$772,317.73	\$0.00	0.00%	0.00%
8/16/2018	1810-108	3	\$322,703.00	\$0.00	0.00%	0.00%
8/16/2018	1810-110	3	\$263,869.00	\$0.00	0.00%	0.00%
8/16/2018	1030514		\$7,619,803.24	\$1,802,218.29	20.20%	23.65%
8/17/2018	6928-28	1	\$7,192,811.49	\$1,176,871.57	3.10%	16.36%
8/20/2018	6016-43	2	\$608,409.90	\$0.00	0.00%	0.00%
8/20/2018	2785-419	M	\$294,108.00	\$294,108.00	0.00%	100.00%
8/21/2018	2781-474	M	\$573,660.49	\$57,753.66	3.70%	10.07%
8/21/2018	0207-105	M	\$598,999.50	\$28,116.48	4.60%	4.69%

Date Awarded	State Project #	District	Awarded Amount	Commitment Amount	Set Goal	Achieved
9/7/2018	1031101		\$624,854.04	\$93,826.18	15.00%	15.02%
9/13/2018	8825-558	M	\$1,653,566.35	\$0.00	7.60%	0.00%
9/14/2018	1031380		\$454,895.25	\$0.00	5.00%	0.00%
9/19/2018	1030574		\$713,073.71	\$203,971.74	28.60%	28.60%
9/28/2018	1031276		\$149,930.66	\$0.00	0.00%	0.00%
9/28/2018	1031550		\$92,507.50	\$0.00	0.00%	0.00%
9/28/2018	1031618		\$99,898.34	\$0.00	0.00%	0.00%
9/28/2018	1031212		\$144,622.50	\$19,000.00	10.00%	13.14%
9/28/2018	1031194		\$383,621.31	\$170,570.56	25.00%	44.46%
10/3/2018	1029860		\$3,710,106.16	\$604,900.05	17.00%	16.30%
10/19/2018	1031600		\$574,340.78	\$103,029.92	7.00%	17.94%
10/23/2018	1031726		\$24,875.00	\$0.00	0.00%	0.00%
10/23/2018	0901-62	1	\$398,430.00	\$15,550.00	3.50%	3.90%
10/25/2018	1703-73	7	\$3,146,877.58	\$116,479.16	3.70%	3.70%
10/30/2018	1031900		\$101,858.24	\$0.00	0.00%	0.00%
10/31/2018	1031918		\$160,325.28	\$0.00	0.00%	0.00%
11/7/2018	1029296		\$3,055,262.45	\$262,550.88	6.50%	8.59%
11/15/2018	8214-176	M	\$245,949.00	\$0.00	0.00%	0.00%
11/15/2018	8827-315	7	\$114,101.50	\$0.00	0.00%	0.00%
11/15/2018	1031894		\$300,599.00	\$27,150.58	9.00%	9.03%
11/16/2018	1030590		\$906,836.60	\$0.00	0.00%	0.00%
11/16/2018	2723-140	M	\$187,435.00	\$19,880.00	0.00%	10.61%
11/16/2018	8821-291	1	\$1,325,482.70	\$18,500.00	2.50%	1.40%
11/20/2018	1031732		\$503,034.87	\$198,250.00	40.00%	39.41%
11/21/2018	2724-127	M	\$821,325.00	\$83,800.00	1.90%	10.20%
11/28/2018	1031569		\$218,158.15	\$65,465.66	30.00%	30.01%
11/29/2018	1031730		\$1,175,372.97	\$0.00	0.00%	0.00%
11/30/2018	1031069		\$110,925.96	\$0.00	0.00%	0.00%
11/30/2018	1031163		\$1,121,880.76	\$257,647.32	18.00%	22.97%
12/4/2018	1031920		\$247,839.99	\$0.00	0.00%	0.00%
12/7/2018	0285-67	M	\$499,637.00	\$35,367.29	1.90%	7.08%
12/11/2018	6216-136	M	\$386,480.39	\$23,217.25	1.90%	6.01%
12/11/2018	2722-84	M	\$495,163.00	\$495,163.00	7.50%	100.00%
12/11/2018	1031214		\$445,868.07	\$94,498.10	20.00%	21.19%
12/12/2018	1030839		\$532,099.02	\$8,878.78	5.00%	1.67%
12/19/2018	1031567		\$250,000.00	\$0.00	0.00%	0.00%
12/20/2018	8282-128	M	\$89,729.76	\$89,729.76	0.00%	100.00%
12/21/2018	1031699		\$75,640.20	\$0.00	0.00%	0.00%
1/4/2019	1032814		\$9,010.00	\$0.00	0.00%	0.00%

Date Awarded	State Project #	District	Awarded Amount	Commitment Amount	Set Goal	Achieved
1/10/2019	4680-129	7	\$38,540,707.44	\$3,092,515.61	8.10%	8.02%
1/10/2019	1030617		\$7,823,190.20	\$968,724.11	12.00%	12.38%
1/14/2019	1031998		\$270,074.97	\$30,929.74	10.00%	11.45%
1/16/2019	1031696		\$2,390,809.30	\$1,155,577.48	2.70%	48.33%
1/16/2019	1032000		\$821,640.04	\$139,732.94	7.50%	17.01%
1/16/2019	1981-134	M	\$664,792.92	\$52,170.15	7.70%	7.85%
1/16/2019	8282-137	M	\$733,755.32	\$26,360.00	15.80%	3.59%
2/4/2019	1032703		\$60,000.00	\$0.00	0.00%	0.00%
2/5/2019	1031647		\$81,357.39	\$0.00	0.00%	0.00%
2/7/2019	1032807		\$24,956.70	\$0.00	0.00%	0.00%
2/7/2019	1032045		\$599,926.55	\$0.00	0.00%	0.00%
2/8/2019	1032190		\$1,357,906.21	\$823,230.00	25.00%	60.62%
2/12/2019	1031412		\$456,799.02	\$0.00	25.00%	0.00%
2/14/2019	1380-84	M	\$22,636,249.99	\$3,789,507.25	16.70%	16.74%
2/15/2019	6215-106	M	\$434,924.72	\$164,778.35	15.00%	37.89%
2/19/2019	0202-110	M	\$432,851.64	\$45,880.05	7.40%	10.60%
2/22/2019	1901-184	M	\$1,787,442.00	\$336,751.62	14.10%	18.84%
2/27/2019	1032821		\$452,248.09	\$124,111.64	7.50%	27.44%
3/19/2019	2781-498	M	\$140,473.70	\$0.00	0.00%	0.00%
3/19/2019	0207-99	M	\$449,203.47	\$104,819.00	0.00%	23.33%
3/19/2019	6285-157	M	\$195,978.00	\$0.00	0.00%	0.00%
3/19/2019	1008-92	M	\$159,189.00	\$0.00	0.00%	0.00%
3/20/2019	0406-62	2	\$617,005.75	\$99,005.99	16.00%	16.05%
3/27/2019	1030186		\$725,233.00	\$0.00	0.00%	0.00%
3/27/2019	1033062		\$323,707.85	\$0.00	0.00%	0.00%
3/28/2019	1032993		\$369,629.26	\$0.00	0.00%	0.00%
4/5/2019	1032618		\$22,000.00	\$0.00	0.00%	0.00%
4/5/2019	1032937		\$139,724.74	\$0.00	0.00%	0.00%
4/9/2019	8708-12	8	\$1,404,463.20	\$26,386.84	1.10%	1.88%
4/9/2019	1032850		\$606,266.42	\$0.00	0.00%	0.00%
4/11/2019	1906-70	M	\$111,111.11	\$0.00	0.00%	0.00%
4/11/2019	1002-118	M	\$460,123.32	\$40,937.80	7.50%	8.90%
4/11/2019	1032841		\$3,832,450.03	\$552,063.18	14.00%	14.40%
4/12/2019	8827-314	7	\$384,189.00	\$71,346.50	18.20%	18.57%
4/15/2019	1209-22	8	\$7,767,894.06	\$336,988.31	7.60%	4.34%
4/15/2019	1033306		\$100,000.00	\$0.00	0.00%	0.00%
4/16/2019	1985-155	M	\$1,163,170.25	\$72,399.12	5.30%	6.22%
4/17/2019	8825-682	M	\$2,416,758.89	\$110,972.00	1.00%	4.59%
4/17/2019	8827-304	7	\$3,872,256.74	\$105,000.00	2.70%	2.71%

Date Awarded	State Project #	District	Awarded Amount	Commitment Amount	Set Goal	Achieved
4/17/2019	8825-753	M	\$2,709,574.82	\$122,002.20	4.50%	4.50%
4/18/2019	8825-752	M	\$1,275,297.52	\$186,994.00	0.00%	14.66%
4/19/2019	1032853		\$249,838.96	\$0.00	0.00%	0.00%
4/19/2019	1033032		\$230,989.09	\$0.00	0.00%	0.00%
4/19/2019	1033418		\$41,691.25	\$0.00	0.00%	0.00%
4/19/2019	1032854		\$189,790.59	\$0.00	0.00%	0.00%
4/24/2019	0115-51	3	\$630,022.00	\$66,795.80	7.40%	10.60%
4/26/2019	1032981		\$211,490.88	\$0.00	0.00%	0.00%
4/26/2019	1032982		\$105,144.76	\$0.00	0.00%	0.00%
4/29/2019	1033220		\$293,969.50	\$0.00	0.00%	0.00%
4/29/2019	1033252		\$374,349.44	\$0.00	0.00%	0.00%
4/29/2019	1032610		\$1,353,539.82	\$104,444.00	8.20%	7.72%
4/29/2019	1033054		\$338,225.04	\$114,181.68	20.00%	33.76%
5/2/2019	1032855		\$440,667.51	\$0.00	0.00%	0.00%
5/2/2019	1033008		\$709,603.55	\$0.00	0.00%	0.00%
5/3/2019	1033167		\$146,548.74	\$0.00	0.00%	0.00%
5/3/2019	1033057		\$529,702.37	\$35,350.00	19.50%	6.67%
5/6/2019	1032849		\$498,467.74	\$0.00	0.00%	0.00%
5/8/2019	8824-184	4	\$2,762,342.59	\$0.00	0.00%	0.00%
5/8/2019	8827-316	7	\$96,360.00	\$0.00	0.00%	0.00%
5/10/2019	6982-334	1	\$418,514.75	\$0.00	0.00%	0.00%
5/14/2019	1032715		\$2,105,667.66	\$107,220.97	5.00%	5.09%
5/15/2019	1032980		\$126,238.81	\$0.00	0.00%	0.00%
5/15/2019	8821-293	1	\$2,657,109.70	\$0.00	0.00%	0.00%
5/15/2019	8825-751	M	\$1,073,818.80	\$0.00	0.00%	0.00%
5/15/2019	1806-76	3	\$6,888,244.75	\$148,665.00	2.00%	2.16%
5/15/2019	1033096		\$691,405.80	\$145,125.20	21.00%	20.99%
5/16/2019	1033430		\$663,666.15	\$0.00	0.00%	0.00%
5/16/2019	1033223		\$121,347.53	\$0.00	0.00%	0.00%
5/17/2019	1033326		\$229,554.70	\$0.00	0.00%	0.00%
5/21/2019	1032851		\$274,114.91	\$0.00	0.00%	0.00%
5/21/2019	0282-40	M	\$191,804.00	\$0.00	0.00%	0.00%
5/21/2019	0102-25	3	\$1,985,870.60	\$60,295.25	3.00%	3.04%
5/22/2019	1033452		\$399,861.51	\$153,570.17	15.00%	38.41%
5/22/2019	1033037		\$199,250.00	\$180,625.00	20.00%	90.65%
5/23/2019	1033142		\$2,692,946.28	\$0.00	0.00%	0.00%
5/30/2019	1033862		\$132,752.45	\$0.00	0.00%	0.00%
6/3/2019	8827-298	7	\$960,934.25	\$0.00	0.00%	0.00%
6/3/2019	1031866		\$928,106.64	\$188,618.60	13.00%	20.32%

Date Awarded	State Project #	District	Awarded Amount	Commitment Amount	Set Goal	Achieved
6/5/2019	1480-177	4	\$355,751.81	\$16,628.48	3.80%	4.67%
6/5/2019	1033274		\$130,564.01	\$39,055.36	20.00%	29.91%
6/6/2019	1033055		\$135,710.18	\$0.00	0.00%	0.00%
6/10/2019	5008-35	6	\$269,532.05	\$21,061.90	7.40%	7.81%
6/11/2019	8827-299	7	\$677,584.05	\$0.00	0.00%	0.00%
6/11/2019	8823-351	3	\$832,178.00	\$0.00	0.00%	0.00%
6/11/2019	3903-30	2	\$2,275,157.55	\$84,235.64	3.70%	3.70%
6/12/2019	2750-95	M	\$1,303,587.00	\$172,862.06	12.50%	13.26%
6/12/2019	1033647		\$29,999.16	\$0.00	0.00%	0.00%
6/13/2019	1034114		\$24,509.00	\$0.00	0.00%	0.00%
6/13/2019	7380-254	3	\$1,764,346.21	\$174,680.27	9.40%	9.90%
6/14/2019	1033258		\$773,359.80	\$0.00	0.00%	0.00%
6/14/2019	1032846		\$822,950.20	\$0.00	0.00%	0.00%
6/20/2019	8816-2940		\$267,877.00	\$13,256.72	0.00%	4.95%
6/20/2019	1033206		\$1,081,930.20	\$309,000.00	15.00%	28.56%
6/20/2019	1033365		\$148,769.00	\$16,000.00	10.00%	10.75%
6/24/2019	1033173		\$244,030.24	\$60,021.12	25.00%	24.60%
6/25/2019	1034022		\$525,049.00	\$0.00	0.00%	0.00%
6/25/2019	1306-55	M	\$318,212.50	\$0.00	0.00%	0.00%
6/26/2019	2733-92	M	\$184,397.00	\$0.00	0.00%	0.00%
6/26/2019	0980-159	1	\$119,506.00	\$0.00	0.00%	0.00%
6/26/2019	8821-296		\$926,000.00	\$194,424.27	0.00%	21.00%
6/26/2019	7380-237	3	\$2,022,141.35	\$102,025.35	5.00%	5.05%
6/26/2019	1032985		\$215,563.50	\$0.00	0.00%	0.00%
6/27/2019	1033976		\$186,289.56	\$0.00	0.00%	0.00%
6/27/2019	8826-229		\$612,238.00	\$79,211.63	6.90%	12.94%

Appendix B: 2020 TGB Contract Awards

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

Date Awarded	State Project #	District	Awarded Amount	Commitment Amount	Set Goal	Achieved
7/1/2019	2789-151	M	\$4,292,075.75	\$1,165,837.45	7.60%	27.16%
7/2/2019	1906-72	M	\$3,079,748.00	\$452,486.91	5.20%	14.69%
7/2/2019	7480-132	6	\$124,370.00	\$0.00	0.00%	0.00%
7/2/2019	6929-20	1	\$1,589,500.00	\$114,700.00	7.00%	7.22%
7/3/2019	8826-213	6	\$643,015.00	\$13,700.00	3.90%	2.13%
7/3/2019	2780-99	M	\$15,165,562.50	\$938,735.67	5.50%	6.19%
7/3/2019	8826-226	6	\$377,742.20	\$41,929.39	11.10%	11.10%
7/3/2019	2002-33	6	\$1,549,656.06	\$23,155.82	1.00%	1.49%
7/3/2019	1033808		\$499,253.27	\$0.00	0.00%	0.00%
7/16/2019	2781-495	M	\$188,482.00	\$0.00	0.00%	0.00%
7/16/2019	1917-51	M	\$142,959.00	\$0.00	0.00%	0.00%
7/18/2019	1034007		\$268,900.00	\$0.00	0.00%	0.00%
7/25/2019	1034054		\$328,392.20	\$0.00	0.00%	0.00%
7/30/2019	2782-354	M	\$7,812,741.81	\$0.00	1.40%	0.00%
8/5/2019	1034433		\$119,526.33	\$0.00	0.00%	0.00%
8/6/2019	0304-38	4	\$256,689.25	\$0.00	0.00%	0.00%
8/12/2019	1033409		\$733,460.71	\$193,673.85	30.00%	26.41%
8/14/2019	1033423		\$742,686.26	\$681,826.00	25.00%	91.81%
8/16/2019	2763-53	M	\$371,303.65	\$0.00	0.00%	0.00%
8/21/2019	5508-128	6	\$1,139,229.40	\$13,508.00	1.00%	1.19%
8/21/2019	1033331		\$746,371.54	\$151,904.00	20.00%	20.35%
8/22/2019	1033431		\$239,635.22	\$0.00	0.00%	0.00%
8/22/2019	8821-294	1	\$1,506,886.92	\$0.00	0.00%	0.00%
8/22/2019	8821-290	1	\$2,136,800.00	\$183,823.39	8.60%	8.60%
8/22/2019	1032725		\$467,713.20	\$81,099.25	15.00%	17.34%
8/28/2019	1033872		\$519,571.89	\$0.00	9.00%	0.00%
8/29/2019	1033904		\$2,076,855.09	\$149,731.98	4.80%	7.21%
9/4/2019	1033732		\$4,094,392.46	\$932,866.30	23.00%	22.78%
9/5/2019	1034466		\$249,950.44	\$0.00	0.00%	0.00%
9/10/2019	8825-781	M	\$420,911.25	\$22,950.00	1.90%	5.45%
9/12/2019	8828-203	8	\$205,487.00	\$0.00	0.00%	0.00%
9/12/2019	4004-132	7	\$466,174.85	\$421,074.85	1.70%	90.33%
9/12/2019	6780-123	7	\$171,621.24	\$0.00	0.00%	0.00%
9/19/2019	1035052		\$176,755.50	\$22,800.00	10.00%	12.90%
9/20/2019	1034897		\$108,314.50	\$13,414.50	10.00%	12.38%

Date Awarded	State Project #	District	Awarded Amount	Commitment Amount	Set Goal	Achieved
9/24/2019	1033329		\$179,924.40	\$159,924.00	0.00%	88.88%
9/27/2019	1034886		\$124,018.00	\$0.00	0.00%	0.00%
10/2/2019	1035053		\$218,433.00	\$26,568.00	10.00%	12.16%
10/8/2019	1034072		\$720,675.21	\$119,307.32	15.00%	16.55%
10/11/2019	1034483		\$2,171,126.02	\$301,080.86	13.00%	13.87%
10/16/2019	6915-137	1	\$15,715.00	\$0.00	0.00%	0.00%
10/21/2019	2001-42	6	\$107,997,119.16	\$6,668,818.83	5.60%	6.17%
10/23/2019	1034763		\$121,571.17	\$0.00	0.00%	0.00%
10/29/2019	1034349		\$623,358.99	\$124,287.92	20.00%	19.94%
10/31/2019	1034951		\$307,617.90	\$0.00	0.00%	0.00%
11/6/2019	1035347		\$122,934.00	\$17,196.00	10.00%	13.99%
11/14/2019	2780-97	M	\$127,149,000.00	\$0.00	8.00%	0.00%
11/15/2019	1035193		\$383,272.08	\$0.00	0.00%	0.00%
11/19/2019	6211-103	M	\$511,872.00	\$56,351.46	4.70%	11.01%
11/20/2019	1034723		\$425,176.26	\$64,306.57	15.00%	15.12%
12/6/2019	1033382		\$721,047.09	\$203,646.08	30.00%	28.24%
12/11/2019	1034700		\$349,950.00	\$0.00	0.00%	0.00%
12/16/2019	1035004		\$277,245.03	\$0.00	0.00%	0.00%
12/19/2019	1901-176	M	\$370,401.12	\$360,683.00	0.00%	97.38%
12/19/2019	8825-806	M	\$99,000.00	\$99,000.00	0.00%	100.00%
12/19/2019	1031027		\$1,156,764.71	\$109,663.49	10.00%	9.48%
12/19/2019	1035042		\$3,438,119.77	\$531,905.99	12.50%	15.47%
12/20/2019	1035174		\$621,499.29	\$0.00	0.00%	0.00%
12/23/2019	1035068		\$797,342.33	\$95,817.54	12.00%	12.02%
12/24/2019	1035286		\$799,860.13	\$0.00	0.00%	0.00%
12/26/2019	1034949		\$62,955.72	\$0.00	0.00%	0.00%
1/9/2020	1035083		\$216,149.00	\$0.00	0.00%	0.00%
1/15/2020	1035050		\$1,635,197.01	\$149,978.03	10.00%	9.17%
1/16/2020	5703-46	2	\$2,233,044.55	\$119,659.25	4.50%	5.36%
1/16/2020	6982-337	1	\$73,400.00	\$0.00	0.00%	0.00%
1/16/2020	8825-706	M	\$2,785,272.70	\$656,755.25	3.80%	23.58%
1/16/2020	8611-26	3	\$4,981,900.00	\$246,880.06	4.70%	4.96%
1/16/2020	6982-338	1	\$42,893.00	\$0.00	0.00%	0.00%
1/16/2020	8827-323	7	\$517,795.00	\$0.00	0.00%	0.00%
1/29/2020	1031452		\$737,421.15	\$146,379.23	19.00%	19.85%
2/3/2020	1035730		\$248,727.80	\$50,030.00	15.00%	20.11%
2/5/2020	1035180		\$3,549,012.55	\$487,295.00	13.50%	13.73%
2/5/2020	1035364		\$1,528,100.86	\$280,573.54	3.00%	18.36%
2/12/2020	0710-113	7	\$791,485.60	\$714,280.60	13.10%	90.25%

Date Awarded	State Project #	District	Awarded Amount	Commitment Amount	Set Goal	Achieved
2/14/2020	1035096		\$444,158.53	\$444,158.53	20.00%	100.00%
2/21/2020	2772-119	M	\$79,865.00	\$0.00	0.00%	0.00%
2/25/2020	2771-45	M	\$556,347.00	\$32,738.40	0.00%	5.88%
2/25/2020	8504-82	6	\$458,168.75	\$31,744.00	1.50%	6.93%
2/25/2020	1401-189	4	\$394,230.00	\$0.00	0.00%	0.00%
2/26/2020	7503-38	4	\$6,640,459.56	\$68,348.81	1.00%	1.03%
2/26/2020	6216-138	M	\$765,385.18	\$137,382.30	2.80%	17.95%
2/27/2020	1035881		\$49,994.10	\$49,994.10	0.00%	100.00%
3/6/2020	1035751		\$298,158.35	\$0.00	0.00%	0.00%
3/10/2020	1035802		\$645,901.36	\$31,618.30	5.00%	4.90%
3/11/2020	1034701		\$1,868,472.00	\$0.00	0.00%	0.00%
3/12/2020	3802-22	1	\$1,886,442.00	\$90,665.10	4.40%	4.81%
3/19/2020	1035029		\$398,987.20	\$46,511.88	10.00%	11.66%
3/25/2020	6242-86	M	\$308,850.00	\$16,894.84	3.70%	5.47%
3/25/2020	1035852		\$414,486.35	\$57,501.80	13.30%	13.87%
3/26/2020	1035693		\$625,906.41	\$106,425.28	33.00%	17.00%
3/30/2020	8826-201	6	\$187,610.00	\$0.00	0.00%	0.00%
3/30/2020	1982-205	M	\$2,330,944.27	\$157,914.40	4.70%	6.77%
3/30/2020	1035612		\$480,725.43	\$0.00	0.00%	0.00%
4/2/2020	1035832		\$524,937.00	\$0.00	0.00%	0.00%
4/7/2020	3608-57	1	\$104,196.00	\$0.00	0.00%	0.00%
4/8/2020	1035847		\$468,423.09	\$67,018.00	14.30%	14.31%
4/10/2020	1036029		\$202,018.38	\$0.00	0.00%	0.00%
4/10/2020	1036151		\$260,000.00	\$0.00	0.00%	0.00%
4/15/2020	1036150		\$250,000.00	\$0.00	0.00%	0.00%
4/16/2020	1035251		\$396,514.81	\$216,039.45	0.00%	54.48%
4/16/2020	1035421		\$359,577.23	\$205,444.03	0.00%	57.13%
4/22/2020	8825-611	M	\$923,294.00	\$73,800.00	2.40%	7.99%
4/23/2020	1035388		\$794,115.34	\$0.00	25.00%	0.00%
4/23/2020	1035431		\$719,193.81	\$483,620.14	13.00%	67.24%
4/24/2020	6002-75	2	\$982,126.30	\$17,500.00	1.70%	1.78%
4/24/2020	8824-155	4	\$1,458,821.55	\$164,973.90	1.40%	11.31%
4/24/2020	6933-100	1	\$457,754.77	\$9,204.80	1.90%	2.01%
4/24/2020	2785-441	M	\$386,383.00	\$47,317.61	10.20%	12.25%
4/24/2020	1035317		\$10,912,087.68	\$1,586,885.85	11.50%	14.54%
5/1/2020	1036167		\$775,426.07	\$0.00	0.00%	0.00%
5/4/2020	1106-16	2	\$519,922.69	\$65,112.00	1.30%	12.52%
5/4/2020	7906-100	6	\$1,230,609.40	\$91,963.95	2.20%	7.47%
5/4/2020	1035493		\$539,500.00	\$540,115.00	12.00%	100.11%

Date Awarded	State Project #	District	Awarded Amount	Commitment Amount	Set Goal	Achieved
5/8/2020	1036160		\$763,333.02	\$0.00	0.00%	0.00%
5/12/2020	1035997		\$1,085,463.62	\$251,518.84	10.00%	23.17%
5/15/2020	1036329		\$918,982.11	\$623,927.65	11.00%	67.89%
5/20/2020	3703-25	8	\$7,916,804.10	\$104,965.80	1.00%	1.33%
5/21/2020	8825-776	M	\$371,939.00	\$0.00	0.00%	0.00%
5/22/2020	1102-70	2	\$3,728,090.30	\$145,092.22	1.00%	3.89%
5/29/2020	1035537		\$285,126.88	\$0.00	0.00%	0.00%
6/2/2020	1036229		\$600,000.00	\$0.00	0.00%	0.00%
6/11/2020	1803-40	3	\$666,335.48	\$29,767.68	1.60%	4.47%
6/11/2020	0805-118	7	\$155,408.28	\$0.00	0.00%	0.00%
6/12/2020	8827-338	7	\$846,423.07	\$0.00	0.00%	0.00%
6/12/2020	1036455		\$299,200.00	\$0.00	0.00%	0.00%
6/12/2020	1036475		\$350,000.00	\$0.00	0.00%	0.00%
6/12/2020	1036474		\$300,000.00	\$300,000.00	0.00%	100.00%
6/16/2020	1982-200	M	\$2,811,443.42	\$49,471.50	1.10%	1.76%
6/18/2020	1036470		\$311,492.00	\$32,700.00	10.00%	10.50%

Appendix C: Goal Setting Methodology²

Executive Summary

This report provides proposed DBE goal and race-neutral participation for the Minnesota Department of Transportation or fiscal years 2019-2021 on Federal Highway Administration funded expenditures. The report was constructed based on the best available information received from MnDOT as well as the government-published secondary data³ such as the Zip Codes Business Patterns from the US Census Bureau.

The analysis undertaken suggests a proposed agency-wide DBE goal of 12.23 percent for 2019-2021 on federally funded projects.

This goal was derived in the following manner:

- A base goal of 9.40 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 30.13 percent, resulting in the adjusted goal of 12.23 percent ($= 9.40 \times 1.301$).
- The maximum portion of the adjusted goal deemed to be achievable by race-neutral means was found to be equal to 31.17 percent. Therefore, the race-neutral goal was computed to be equal to 3.81 percent ($= 12.23 \times 0.312$) and the race-conscious goal was computed to be equal to 8.42 percent ($= 12.23 \times (1 - 0.312) = 12.23 \times 0.688$).

Table 1 provides the detailed breakdowns.

Table 1: Proposed MnDOT FHWA DBE Goals FY 2019-2021

Base Goal	9.40%
Discrimination Gap for Adjustment	30.13%
Adjusted Goal	12.23%
<i>Race-Neutral Portion</i>	31.17%
Race-Neutral Goal	3.81%
<i>Race-Conscious Portion</i>	68.83%
Race-Conscious Goal	8.42%

Source: The research team's calculation using compiled MnDOT 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)

³ The research team used County Business Patterns, Zip Codes Business Patterns and D&B Hoover's in the analysis.

Background

As a recipient of federal transportation dollars awarded through the U.S. Department of Transportation's Federal Highway Administration, MnDOT is required to establish and submit a three-year goal to the FHWA for review (Final Rule, 2014). 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.

The research team 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 2015 and 2017. Relevant industries with MnDOT contracts were identified by examining the distribution of MnDOT contract dollars by industry classification for contracts awarded between Oct. 1, 2014 and Sept. 30, 2017. The research team then estimated the distribution of anticipated MnDOT contract dollars by industry classification for FY 2019-2021 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. Base goals were then adjusted to account for disparities in prime contract and subcontract award amounts. The results were 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 in the Minnesota Department of Transportation for the fiscal years 2015 to 2017. 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 (D&B). Other data used included: the Minnesota Unified Certification Program (MN UCP) Directory, AASHTOWare, Good Faith Efforts Consolidated Forms,⁴ and the County and ZIP codes Business Patterns (CBP and ZBP) data for 2016.

⁴ The research team learned that the AASHTOWare system records zip codes, city and addresses for every firm in PDF format, however the PDF format does not provide all subcontracts in a useable format for purposes of this project. There were 177 firms the research team could not extract address and/or zip codes to match those firms in the D&B database, and thereby obtain NAICS codes. This impacted both the number of DBE and non-DBE firms included in the analysis.

Utilization

In Table 2, the utilization analysis shows that 99.53 percent of prime contract dollars were awarded to non-DBE prime contractors (equivalent to \$2.82 billion) while 0.47 percent of prime contract dollars were awarded to DBE prime contractors (\$13.37 million). Of the \$1.15 billion subcontracted by prime contractors, 18.16 percent went to DBE subcontractors and 81.84 percent to non-DBE subcontractors. In total, DBE prime contractors and subcontractors received 7.86 percent of total contract dollars awarded from 2015 to 2017.

Table 2: DBE Share of FHWA Contract Amount

		N	Contract Amount	Percent
Prime Contracts	Total	868	\$ 2,837,833,701.76	
	DBE	21	\$ 13,376,962.10	0.47%
	Non-DBE	847	\$ 2,824,456,739.66	99.53%
Sub-Contracts	Total	6,726	\$1,154,172,673.67	
	DBE	1,496	\$ 209,640,742.89	18.16%
	Non-DBE	5,230	\$ 944,531,930.78	81.84%
Both Prime and Sub-Contracts ⁵	DBE	1,517	\$223,017,704.98	7.86%

Source: MnDOT FHWA contracts from Oct. 1, 2014-Sept. 30, 2017

Of the contract dollars awarded to 21 DBE prime contractors, 17.74 percent were awarded to Caucasian females, 2.33 percent to Asian and Pacific Islanders, 1.99 percent to Hispanics, and 77.94 percent to Native Americans. Among contract dollars awarded to DBE subcontracts, 81.77 percent were awarded to Caucasian females, 5.16 percent to Asian and Pacific Islander, 4.14 to African Americans, 4.17 percent to Hispanics, and 3.65 percent to Native Americans.

The vast majority of prime contract dollars were awarded to Minnesota firms (78.83%) followed by Wisconsin (15.13%). 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 approaches: 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 MnDOT'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 markets were used.

⁵ 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-1	All Minnesota counties	\$2,774,578,339.59	82.16%
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%	\$2,905,314,124.95	86.03%
Virtual Jurisdiction Method			
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%	\$2,910,608,935.58	86.19%
Total		\$3,377,099,098.19	

Source: FHWA contracts from Oct. 1, 2014 – Sept. 30, 2017

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 80 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 included prime contractors and subcontractors, certified DBEs, bidders and vendors. NAICS codes for the firms were obtained from the DBE list and Dun & Bradstreet (D&B). When no NAICS could be found⁶, 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 128 separate six-digit NAICS codes associated with comparable projects from the period of 2018-2021. Weights were obtained by using the projected expenditures⁷ provided by MnDOT.⁸

⁶ The research team could not identify NAICS codes for 3.81% of the observations from the Bidders List and 25.08% of the observations from the Vendors list in the D&B database.

⁷ State Transportation Improvement Program (STIP) 2018-2021, <http://www.dot.state.mn.us/planning/program/stip.html>.

⁸ 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) 2018-2021 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 128 NAICS codes.

Bidders List Method⁹

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 AASHTOWare system and Good Faith Efforts Consolidated Forms maintained by MnDOT. The prime contract and subcontract lists were matched with the certified DBE list 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 2018-2021. The numerator is the number of DBE 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 came from two different sources: MnDOT information and D&B. When the research team was unable to obtain NAICS from the MnDOT information, the team used the D&B database. When the research team was unable to find a NAICS code for the firm, the firms were not included in this availability method. The research team excluded 177 firms¹⁰ due to lack of information.

Vendors List Method¹¹

The vendors list method includes the list of firms that have done business with MnDOT. MnDOT updates the list continuously by identifying firms that are no longer in business. The research team used the most recently updated list.¹²

The availability rate is the weighted share of certified DBE vendors 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 the research team were unable to match a firm with a NAICS code, that firm was not included in the count.

⁹ The formula below was used to the availability analysis using the Bidders List method.

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

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.

¹⁰ The AASHTOWare system records zip codes, city and addresses for every firm in PDF format. The PDF format does not provide all subcontracts in a useable format for purposes of this project. There were 177 firms the research team could not extract address and/or zip codes to match these firms with the D&B database, and thereby obtain NAICS codes. This affected both the number of DBE and non-DBE firms included in the analysis.

¹¹ 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.

¹² The vendor list was provided on March 13, 2018.

Dun and Bradstreet Method¹³

The research team obtained access to Hoover’s database, a subsidiary of Dun & Bradstreet (D&B), to compute the number of firms in each relevant NAICS code within a specified geographic market area.¹⁴ This research product covers more than 23 million U.S corporations and other entities (e.g., government agencies, partnerships, non-profits and educational institutions). For the state of Minnesota, information included information on headquarters, branches and single locations.¹⁵

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 Method¹⁶

The research team 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 codes Business Patterns (ZBP) databases, 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.¹⁷

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

¹³ The formula below was used to the availability analysis using the D&B method.

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

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.

¹⁴ Due to system upgrades, D&B Hoover provides one main NAICS code for each business. The data limitation allowed the research team to calculate the availability rate based on the main NAICS code for the firm. In past MnDOT DBE goal projects, all NAICS codes for a firm were used to calculate the availability rate.

¹⁵ The term “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.

¹⁶ The formula below was used to the availability analysis using the Certified DBE List method.

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

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.

¹⁷ Note that the denominator may overstate the number of firms since it includes each establishment owned by a multi-unit firm.

establishment. A multi-unit company owns or operates two or more establishments.

<https://www.census.gov/programs-surveys/cbp/technical-documentation/methodology.html>¹⁸ (Census Bureau, *County Business Patterns, “Technical Documentation: 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 grounded on all the goals calculated for each geographic market, it is necessary to weight each geographic market-specific goal according to the percentage of contract dollars awarded in that area (shown in Table 4).

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 main NAICS code level. When using the main NAICS code level computation, the base goal is found to be 9.40 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	10.96%	11.59%	7.61%	9.40% ¹⁹
DBE List Method	4.71%	12.43%	4.35%	
Vendors List Method	15.28%	16.15%	7.77%	
D&B Method	7.49%	8.39%	6.18%	

Source: The research team's calculation used compiled MnDOT data files, D&B Hoover, and US Census Bureau 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 marketplace or in the specific agency or governmental unit undertaking the procurement and contracting process.

Between the years 2015 to 2017, 16 DBE firms graduated²⁰ from the MnDOT DBE program and thereby were considered in the base goal adjustment. The graduated DBEs are no longer eligible to participate in the 2019-2021 DBE program because they were deemed to exceed the size standards of a small business, which the DBE

¹⁸ The denominator includes many establishments that might not normally contract with MnDOT.

¹⁹ Note that the weighted base goal is not a simple average of the measures shown in the table. It is the weighted average using the percent distribution of contract amounts by geographic market area. See Table 9 for details.

²⁰ DBE graduation here includes DBEs who were certified at the award of the contract, but who have since graduated, became de-certified, or based on the regulations were disqualified from participation in the MnDOT DBE program. The research team obtained this information from MnDOT.

program requires in order for a firm to demonstrate economic disadvantage. Table 5 presents the details of the DBE firms who have graduated from the DBE program. The graduated DBEs received 14.67 percent of the total dollars awarded to all DBE firms.

The research team developed two methods to incorporate the DBEs who graduated in the base goal adjustment. The first method excludes the graduated DBEs in the analysis, while the second method treats the graduated DBEs as non-DBEs.

The research team used the Blinder-Oaxaca-Duncan residual difference decomposition²¹ method to make the base goal adjustment. The residual difference decomposition estimates separately the log-transformed contract amounts to DBEs and non-DBEs and computes the amount that DBEs that would have received contracts had they been treated like equally situated non-DBEs. The difference between the actual contract 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, credit rating, tenure of the firm, whether a firm was awarded both prime and subcontracts, and whether the firm had more than one contract. 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 unexplained portion from the residual difference composition -- for prime and subcontractors contract disparities. This adjustment equals 30.13 percent.²²

Table 5: 2015 -2017 MnDOT DBE Program Graduation

	Graduated DBEs	Active DBEs	All DBEs
Firms (N)	16	148	164
Percentage	9.76%	90.24%	100%
Awarded Contracts (\$)	\$32,351,330.74	\$190,666,374.25	\$223,017,704.98
Percentage	14.67%	85.33%	100%

Note: DBE here means DBE firms utilized in 2015-2017 MnDOT DBE program.

²¹ 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

²² Standard regression and Oaxaca command in Stata 14 is used for the analysis.

Race-Neutral Analysis

In compliance with federal regulations, state and local transportation 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.²³ This method has established a rigorous standard for maximizing the race-neutral portion of the overall DBE goal.²⁴

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 31.17 percent of the goal can be achieved through race neutral measures and 68.83 percent can be achieved through race conscious goals.

Public Comment Period

In accordance with the USDOT regulations, as amended by the Final Rule effective Nov. 3, 2014, to establish its overall goal, MnDOT provided a 30-day consultation process and publication of its goal [49 C.F.R. §26.45(g)].

MnDOT published its goal notice to solicit public comments (including information on how to submit comments) on its website from July 3 to 31, 2018.

Additionally, MnDOT held four public comment meetings and directly contacted disadvantaged business enterprises, minority, women and general contractor groups for public input.²⁵ All comments were analyzed to assess their effect on the methodology.

²³ 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.

²⁴ 2010-10-19, Civil Action No. 04-2425, GEOD CORPORATION, et al., Plaintiffs v. NEW JERSEY TRANSIT CORPORATION, et al., Defendants.

²⁵ Public meetings were held on July 9th in Rochester, July 11th in St. Paul, July 13th in Duluth, and July 23rd in St. Paul.

Appendix D: FY 2019 Annual Report of DBE Commitments/Awards and Payments to FHWA

For

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) <input checked="" type="checkbox"/> FHWA <input type="checkbox"/> FAA <input type="checkbox"/> FTA - Recipient ID Number									
2	AIP Numbers (FAA Recipients): Grant Number (FTA Recipients):									
3	Federal Fiscal year in which reporting period falls			4. Date This Report Submitted: 12/1/2019						
5	Reporting Period <input type="checkbox"/> Report due June 1 (for period Oct 1-Mar 31) <input type="checkbox"/> Report due Dec 1 (for period April 1-Sep 30) <input checked="" type="checkbox"/> FHWA annual report due Dec 1									
6	Name and address of Recipient: Minnesota Department of Transportation									
7	Annual DBE Goal(s): Race Conscious Projection: 5.5%			Race Neutral Projection: 6.2%			OVERALL Goal: 12.2%			
Awards/Commitments this Reporting Period										
A	AWARDS/COMMITMENTS MADE DURING THIS REPORTING PERIOD (Total contracts and subcontracts committed during this reporting period)	A	B	C	D	E	F	G	H	I
		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	\$ 756,295,415	239	\$ 5,746,861	8	\$ -	0	\$ 5,746,861	8	0.8%
9	Subcontracts awarded/committed this period	\$ 305,364,935	1424	\$ 73,352,072	739	\$ 70,027,923	737	\$ 3,324,148	2	24.0%
10	TOTAL			\$ 79,098,933	747	\$ 70,027,923	737	\$ 9,071,009	10	10.5%
BREAKDOWN BY ETHNICITY & GENDER										
B		A	B	C	D	E	F			
		Total to DBE (dollar amount)			Total to DBE (number)					
		Women	Men	Total	Women	Men	Total			
11	Black American	\$ 3,380	\$ 1,136,702	\$ 1,140,082	1	31	32			
12	Hispanic American	\$ 57,651	\$ 2,374,136	\$ 2,431,787	2	31	33			
13	Native American	\$ 6,269	\$ 2,984,074	\$ 2,990,343	1	19	20			
14	Asian-Pacific American	\$ 706,963	\$ 1,605,577	\$ 2,312,540	5	4	9			
15	Subcontinent Asian Americans	\$ -	\$ 580,460	\$ 580,460	0	10	10			
16	Non-Minority	\$ 69,643,723	\$ -	\$ 69,643,723	643	0	643			
17	TOTAL	\$ 70,417,985	\$ 8,680,948	\$ 79,098,933	652	95	747			
Payments Made this Period										
C	PAYMENTS ON ONGOING CONTRACTS	A	B	C	D	E	F			
		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	776	\$ 763,484,086	264	\$ 73,391,003	1147	9.61%			
D	TOTAL PAYMENTS ON CONTRACTS COMPLETED THIS REPORTING PERIOD	A	B	C	D	E				
		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	166	\$ 767,585,244	\$ 69,599,266	\$ 77,738,643	10.1%				
20	Race Neutral	148	\$ 43,793,119	\$ 1,275,879	2.9%					
21	Totals		\$ 811,378,363	\$ 79,014,521	9.7%					
22	Submitted by: D. Kimberly Collins			23. Signature:	24. Phone Number: (651) 366-3150					

Appendix E: FY 2020 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) <input checked="" type="checkbox"/> FHWA <input type="checkbox"/> FAA <input type="checkbox"/> FTA - Recipient ID Number										
2	AIP Numbers (FAA Recipients):		Grant Number (FTA Recipients):								
3	Federal Fiscal year in which reporting period falls				FY 2020		4. Date This Report Submitted: 12/1/2020				
5	Reporting Period <input type="checkbox"/> Report due June 1 (for period Oct 1-Mar 31) <input type="checkbox"/> Report due Dec 1 (for period April 1-Sep 30) <input checked="" type="checkbox"/> FHWA annual report due Dec 1										
6	Name and address of Recipient: Minnesota Department of Transportation										
7	Annual DBE Goal(s):			Race Conscious Projection: 5.5%		Race Neutral Projection: 6.2%		OVERALL Goal: 12.2%			
Awards/Commitments this Reporting Period											
A	AWARDS/COMMITMENTS MADE DURING THIS REPORTING PERIOD (Total contracts and subcontracts committed during this reporting period)		A	B	C	D	E	F	G	H	I
			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		\$ 829,052,147	254	\$ 2,714,241	5	\$ -	0	\$ 2,714,241	5	0.3%
9	Subcontracts awarded/committed this period		\$ 506,083,625	1679	\$ 64,522,273	665	\$ 55,424,423	655	\$ 9,097,850	10	12.7%
10	TOTAL				\$ 67,236,514	670	\$ 55,424,423	655	\$ 11,812,091	15	8.1%
BREAKDOWN BY ETHNICITY & GENDER											
B			Total to DBE (dollar amount)			Total to DBE (number)					
			Women	Men	Total	Women	Men	Total			
11	Black American		\$ 91,041	\$ 914,806	\$ 1,005,847	4	18	22			
12	Hispanic American		\$ 19,486	\$ 2,918,260	\$ 2,937,746	2	26	28			
13	Native American		\$ 325,022	\$ 853,179	\$ 1,178,201	9	20	29			
14	Asian-Pacific American		\$ 1,389,366	\$ 146,808	\$ 1,536,174	10	2	12			
15	Subcontinent Asian Americans		\$ -	\$ 128,391	\$ 128,391	0	3	3			
16	Non-Minority		\$ 60,396,591	\$ 53,563	\$ 60,450,154	575	1	576			
17	TOTAL		\$ 62,221,506	\$ 5,015,007	\$ 67,236,514	600	70	670			
Payments Made this Period											
C	PAYMENTS ON ONGOING CONTRACTS		A	B	C	D	E	F			
			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		668	\$ 653,095,029	293	\$ 66,918,783	180	10.25%			
D	TOTAL PAYMENTS ON CONTRACTS COMPLETED THIS REPORTING PERIOD		A	B	C	D	E				
			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		147	\$ 731,309,378	\$ 63,167,631	\$ 74,681,870	10.2%				
20	Race Neutral		78	\$ 19,491,522		\$ 190,829	1.0%				
21	Totals			\$ 750,800,900		\$ 74,872,699	10.0%				
22	Submitted by: D. Kimberly Collins				23. Signature:	24. Phone Number: (651) 366-3150					