

# NEW JERSEY DEPARTMENT OF TRANSPORTATION

## METHODOLOGY FOR DETERMINING TRIENNIAL DISADVANTAGED BUSINESS ENTERPRISE (DBE) OVERALL GOAL FOR FEDERAL FISCAL YEARS (FFY) 2023 THROUGH 2025

The New Jersey Department of Transportation (NJDOT) has established a Disadvantaged Business Enterprise (DBE) Program in accordance with the regulations of the United States Department of Transportation (USDOT), 49 C.F.R. Part 26. As a requirement of the federal regulations, the NJDOT must establish and submit a triennial DBE goal.

NJDOT has determined its overall DBE goal for Federal Fiscal Years 2023 through 2025 as 9.95% of the total federal financial assistance NJDOT will expend on Federal Highway Administration (FHWA) contracts. NJDOT projects that 3.94% of the total funding expended on federally assisted highway projects for this period can be achieved through race and gender-neutral means or methods, and the remaining 6.01% can be achieved through race and gender conscious means or methods.

The Department will seek to attain a maximum portion of its DBE goal utilizing race and gender-neutral means. Race and gender-neutral DBE participation and race and gender conscious DBE participation is monitored by the NJDOT Division of Civil Rights monthly, and adjustments are made accordingly to ensure that NJDOT neither exceeds nor falls short of meeting its DBE goal on an annual and overall basis.

# Establishing the Step One Base Figure

### A. Market Area Analysis

As required by 49 CFR 26.45(c), the analysis must include the identification of the market area. The market area is the geographical area that represents a particular market. There must be sufficient facts to support a market area determination. NJDOT has determined that there are sufficient facts to conclude that the State of New Jersey is its market area. Between July 1, 2018, and June 30, 2021, NJDOT awarded the substantial majority, (96%), of its contracts to New Jersey based firms. Therefore, the State of New Jersey is NJDOT's market area.

The following Table 1 depicts the overall number and dollar value of construction and consulting contracts, or agreements awarded by NJDOT between July 1, 2018, and June 30, 2021. As depicted in Table 1, NJDOT awarded 489 prime contracts or agreements valued at \$1,790,792,371. Of these contracts, 459 or 95.62% were awarded to New Jersey based companies. The dollar value of those contracts was \$1,712,341,012 or 95.68% of the total amount expended. Based on this data, NJDOT's market area is concluded to be the State of New Jersey.

Geographic Distribution of Participating Contractors (2018 - 2021)	Number of Contracts	Dollar Value	Percentage of Total Dollars
New Jersey Based Contractors	459	\$1,712,341,012	95.62%
New York Based Contractors	21	\$21,925,369	1.22%
Connecticut Based Contractors	1	\$833,400	0.05%
Pennsylvania Based Contractors	8	\$55,692,590	3.11%
	TOTAL:	\$1,790,792,371	

### Table 1: NJDOT Contracts or Agreements Awarded from 2018-2021<sup>1</sup>

### B. Defining the Variables

The Step One Base Figure is a measurement of the actual relative availability of DBEs and potential DBEs to perform the types of work that NJDOT intends to contract. It is the percentage of DBEs among all firms that are ready, willing, and able to compete for DOT-assisted contracts. This percentage is calculated by dividing the number of DBEs ready, willing, and able to perform the types of work that NJDOT will fund during this triennial period, by the number of all firms (DBEs and non-DBEs) ready, willing, and able to perform these same work types.

Pursuant to 49 CFR 26.45(c)(1), NJDOT has determined the work type areas under the North America Industrial Classification System ("NAICS") for the period of the triennial goal and the number of all ready, willing, and able businesses available in its market that perform work in the same NAICS codes by using the 2020 Census Bureau's County Business Pattern (CBP) database. The 2020 CBP is the most current data available at the time of this proposed goal.

Secondly, NJDOT has determined the number of ready, willing, and able DBEs. "Ready willing and able DBEs" are DBEs certified to work in the NJ Unified Certification Program (NJ UCP) Directory with NAICS codes in work categories where NJDOT would normally contract. In our review of this triennial goal, we found DBEs that were certified in work types not included in the previous triennial goal. Because of this, additional NAICS Codes covering work performed on NJDOT construction contracts were included in the list of "ready, willing and able". These codes pertain to work such as masonry contractors; ornamental and architectural metal work; oil and gas pipeline construction; power and communication line construction; wholesaler trade agents and brokers for fabricated pipe and pipe fitting, lumber, brick, stone, metal, hardware, general freight trucking (local and long-distance); specialized freight trucking (long distance); snow clearing; sign manufacturing; inspection services (building); testing laboratories; scientific and technical consulting services; waste collection; hazardous waste collection; other miscellaneous waste management services were also added to the list of "ready, willing and able" DBEs. These codes cover work for inspection services, testing

<sup>&</sup>lt;sup>1</sup> Cumulative monthly Procurement Report Data – NJDOT, NYDOT, Maryland DOT, PennDOT Procurement websites 2018-2021

laboratories, architectural services, administrative and general management consulting, and other scientific and technical consulting services. Collectively, this resulted in an additional 1,284 firms included in the NJUCP count, and 24,856 firms included in the 2020 Census CBP Counts by applicable County. This data was captured in June 2022 (see, Table 2). To ensure that all potential DBE firms are counted among those "ready, willing and able" DBEs, NJDOT has also included construction and professional services firms that have been certified as Minority and Women Owned Business Enterprises (MBE and WBE) by the New Jersey Department of the Treasury, Division of Revenue and Enterprise Services who do not currently appear on the NJ UCP Directory. These firms are found in the New Jersey Selective Assistance Vendor Information (NJSAVI) Directory. Thus, "all firms ready, willing and able" includes all firms in NJDOT's market area, as identified in the 2020 Census Bureau County Business Pattern (CBP) database, with North American Industry Classification System (NAICS) codes in work categories where NJDOT would normally contract.

NAICS Description	NAICS Code	NJUCP Counts	2020 Census CBP Counts by Applicable County
Water and Sewer Line and Related Structures Construction	237110	51	245
Oil and Gas pipeline and related Structures Construction	237120	9	10
Power and Communication Line and Related Structures Construction	237130	34	175
Highway, Street, and Bridge Construction	237310	155	652
Other Heavy and Civil Engineering Construction	237990	92	185
Poured Concrete Foundation and Structure Contractors	238110	45	628
Structural Steel and Precast Concrete Contractors	238120	57	261
Masonry Contractors	238140	55	1499
Other Foundation, Structure, and Building Exterior Contractors	238190	45	261
Electrical Contractors and Other Wiring Installation Contractors	238210	104	6001
Other Building Equipment Contractors	238290	20	265
Painting and Wall Covering Contractors	238320	53	1675
Other Building Finishing Contractors	238390	27	374
Site Preparation Contractors	238910	76	1542
All Other Specialty Trade Contractors	238990	85	2032
Ready-Mix Concrete Manufacturing	327320	3	35
Cut Stone and Stone Product Manufacturing	327991	1	3
Fabricated Structural Metal Manufacturing	332312	27	122
Ornamental and Architectural Metal Work	332323	14	111
Fabricated Pipe and Pipe Fitting Manufacturing	332996	5	7
All Other Misc. Fabricated Metal Product Manufacturing	332999	8	53
Sign Manufacturing	339950	17	228

#### Table 2: Ready, Willing and Able DBEs, June 2022

Lumber, Plywood, Millwork and Wood Panel Merchant Wholesalers	423310	12	182
Brick, Stone, and Related Construction Material Merchant Wholesalers	423320	27	191
Other Construction Material Merchant Wholesalers	423390	26	143
Other Miscellaneous Durable Goods Merchant Wholesalers	423990	23	640
Metal Service Centers and Other Metal Merchant Wholesalers	423510	20	361
Electrical Apparatus & Equipment & Wiring Supplies, and Related Equipment Merchant Wholesalers	423610	52	929

NAICS Description	NAICS Code	NJUCP Counts	2020 Census CBP Counts by Applicable County
Hardware Merchant Wholesalers (fasteners, bolts, nuts, rivets, screws)	423710	24	196
Wholesale Trade Agents and Brokers	425120	57	2684
General Freight Trucking, Local	484110	37	2008
General Freight Trucking, Long-Distance, Truckload	484121	9	323
Specialized Freight (except Used Goods) Trucking, Local	484220	70	1079
Specialized Freight (except Used Goods) Trucking, Long- Distance	484230	13	165
Snow clearing, highways and bridges, road transportation	488490	14	41
Title Abstract and Settlement Offices	541191	1	23
Architectural Services	541310	43	2207
Landscape Architectural Services	541320	46	289
Engineering Services	541330	305	4555
Inspection services, building or home	541350	50	337
Geophysical Surveying and Mapping Services	541360	19	3
Surveying and Mapping (except Geophysical) Services	541370	53	318
Testing Laboratories	541380	55	397
Administrative and General Management Consulting Services	541611	313	9486
Marketing Consulting Services	541613	91	4235
Process, Physical Distribution and Logistics Consulting Services	541614	89	593
Other Management Consulting Services	541618	138	743
Environmental Consulting Services	541620	110	843
Other Scientific and Technical Consulting Services	541690	142	2012
Public Relations Agencies	541820	50	1094
Marketing Research and Public Opinion Polling	541910	47	477
Landscaping Services	561730	31	6142
Hazardous Waste Collection	562112	11	4
Other Waste Collection (hazardous waste hauling, local)	562119	29	43
Remediation Services	562910	61	450
All Other Miscellaneous Waste Management Services (Catch Basin Cleaning Service, Storm Basin Cleanout Service)	562998	9	14
	SUBTOTAL	3,060	59,571
Firms	from NJSAVI	955	
	TOTAL	4,015	59,571

### C. Calculating the Step One Base Figure

Step One Base Figure = Ready, willing, and able DBEs ÷ All firms ready, willing and able

Step One Base Figure = 4,015 ÷ 59571=0.06739857

Step One Base Figure = 6.74%

#### D. Weighting

NJDOT chose not to use weighting in its 2023 through 2025 DBE goal calculation. Weighting does not increase the accuracy of NJDOT's step one base figure. Based on past experience, weighting tends to diminish the projected participation of consulting and professional services firms.

In the past, NJDOT weighted the base figure according to the projected, federally funded Statewide Transportation Improvement Program (STIP) expenditures for construction and consulting services.

The Transportation Capital Program for FY 2023 describes the planned capital investments for the State fiscal year starting July 1, 2022. It represents the annual element of the New Jersey Department of Transportation's and NJ Transit's federal Statewide Transportation Improvement Program (STIP).

Focusing on the Department's and Transit's Core Mission—safety, infrastructure preservation, mass transit, mobility and congestion relief, and operations and maintenance—this Capital Program outlines projects and programs that rebuild the State's bridges and roads, provide mass transit services, and reduce congestion by deploying Intelligent Transportation Systems (ITS) technology.)

The FY 2023 Transportation Capital Program totals \$4.434 billion and is funded primarily by the State Transportation Trust Fund (TTF), federal, and third-party resources. The NJDOT total is \$2.908 billion. NJDOT's \$2.908 billion Capital Program addresses New Jersey's transportation needs summarized as follows:

- The NJDOT program provides \$895 million for state and local bridges. Bridge investments range from funding for high-cost bridges to implementation of a variety of rehabilitation programs and local bridge rehabilitations.
- The NJDOT program provides \$577 million dedicated to road assets, including pavement rehabilitation, reconstruction and resurfacing.
- The NJDOT program provides \$143 million for safety improvements. Key programs funded include the Crash Reduction Program, Intersection Improvement Program, Pedestrian Safety Initiatives, Rail-Highway Grade Crossings, and Safe Routes to School Program.
- The NJDOT program provides \$297 million in funds to address highway congestion through infrastructure improvements as well as efforts to better manage traffic and respond to incidents.
- The NJDOT program provides \$77 million for multimodal investments that support maritime, freight, and rail initiatives as well as bicycle and pedestrian improvements.

Federal revenues for FY 2023 are projected at \$2.380 billion with NJDOT's share of the federal funding being \$1.664 billion. (<u>Transportation Capital Program FY 2023 Overview - Capital Program (nj.gov</u>))

While the STIP represents the best data available to determine NJDOT's future expenditures, it does not provide the best information as to how those expenditures will be divided between construction and professional services work, therefore the information was not used for weighting.

Dividing the number of DBEs in the NJUCP Directory and potential DBEs in the NJSAVI Directory by the number of all businesses provides the most accurate measure of the relative availability of DBEs in NJDOT's market.

# Adjusting the Step One Base Figure

In accordance with 49 CFR 26.45(d), the factors to be considered in determining whether or not adjustments are necessary are as follows: past participation; evidence from disparity studies; statistical disparities in the ability of DBEs to get financing, bonding and insurance; data on employment, self-employment, education and training, union programs and apprenticeship programs; and any other data that would help to better measure the percentage of work that DBEs would be likely to obtain in the absence of discrimination.

### A. Past Participation

The Department determined that the Step One Base Figure would be adjusted based on past participation. An adjustment based on past participation is warranted because past participation is an indicator as to the feasibility of the DBE goal; therefore, to ensure the feasibility of the DBE goal, NJDOT averaged the figure obtained in Step One with a figure which represented past DBE participation. To obtain a more precise past participation measurement, NJDOT calculated the median DBE participation in 2017, 2018, 2019, 2020 and 2021. NJDOT adjusted the Step One Base Figure by taking the average of the median past participation figure and the Step One Base Figure. This method ensures that past participation is not given disproportionate weight.

DBE Participation is measured in terms of federal contracting dollars that are awarded or committed to DBEs. This figure is expressed as a percentage of the total federal financial assistance the NJDOT will expend on FHWA contracts.

NJDOT's past participation from years 2017 through 2021 has been 13.17%, 15.81%, 14.12%, 10.57%, and 12.13%. Therefore, the Median Past Participation is 13.17%. (See, Table 3).

Year	DBE Attainment		
2017	13.17%		
2018	15.81%	Median Participation	
2019	14.29%	i di dicipation	
2020	10.57%		
2021	12.13%		
		13.17%	

#### Table 3: Median of Past Participation, Years 2017-2021

The Step One analysis resulted in a Step One Base Figure of 6.74%. The average of 6.74% and 13.17% is 9.95%. Therefore, 9.95% is the Step One Base Figure adjusted for past participation.

DBE Goal = (Step One Base Figure + Median Past Participation) ÷ 2

DBE Goal = (6.74% + 13.17%) ÷ 2

DBE Goal = (19.91%) ÷ 2

DBE Goal = 9.95%

B. Adjustment based on data on employment, self-employment, education and training, union programs or apprenticeship programs

NJDOT is not aware of any data on employment, self-employment, education and training, union programs or apprenticeship programs that would be relevant to the goal setting process. Therefore, this data was not considered in adjusting the Step One Base Figure.

However, it is important to mention the Department's DBE Supportive Services Program. NJDOT contracted a consultant to develop and facilitate a DBE Supportive Services Program (SSP). The SSP is a cohort providing intensive classroom/virtual training in different business development and technical topics including business planning, organizational development, marketing, public procurement, human resources, bonding and financial management, construction project management, safety, technology and Legal, doing business with NJDOT, DBE Program requirements, contract compliance, etc. In addition, the DBE firms receive individualized one-on-one coaching and technical assistance to address any issues that may be specific to the individual firm. Participants are also provided the opportunity, through a NJDOT sponsored Contractor Venture Forum, Project Informational Meetings, and roundtable or panel discussions to expand their professional networks and establish relationships with large prime contractors.

The program has been very successful. It has helped DBE firms better navigate their way in conducting business with the Department as a prime and/or subcontractor. On average, each cohort starts with twenty firms. Fourteen (14) firms graduated from the class of 2017; fifteen (15) firms graduated from

the class of 2018, seventeen (17) firms graduated from the class of 2019, twenty-one (21) firms graduated from the class of 2020 and nineteen (19) firms graduated from the class of 2021; a total of eighty-six (86) companies. We are currently conducting outreach for our 2022 cohort.

### C. Adjustment based on disparity studies and/or statistical studies conducted in our market area

Although the State of New Jersey began conducting a disparity study in 2021, the study is ongoing and data from various State agencies is still being collected. The New Jersey Department of Transportation is not able to utilize that data to adjust the Step One Base Figure in development of the triennial goal for 2023 to 2025.

### D. The Triennial DBE Goal for Federal Fiscal Years 2023 through 2025

Based on the above methodology, NJDOT has determined its triennial DBE goal for Federal Fiscal Years 2023 through 2025 as 9.95% of the total federal financial assistance NJDOT will expend on Federal Highway Administration (FHWA) contracts.

## **Calculating the Race/Gender-Neutral and Race/Gender-Conscious Split**

The NJDOT has established an Emerging Small Business Enterprise (ESBE) certification to meet the maximum feasible portion of its DBE goal through race-neutral means in accordance with regulations of the U.S. Department of Transportation (USDOT), 49 CFR Part 26.51. NJDOT has received federal financial assistance from the USDOT, and as a condition of receiving this assistance, NJDOT has signed an assurance that it will comply with 49 CFR Part 26.

To ensure that the maximum feasible portion of the overall DBE goal is met by using race-neutral means to facilitate DBE participation, NJDOT will establish ESBE goals on its contracts. All DBEs are considered to be ESBEs for the purposes of goal setting. ESBE goals can be satisfied through the use of certified DBE and/or certified ESBE firms.

ESBE contracting goals for USDOT federally funded construction projects are determined by the NJDOT Contractor Compliance Unit with the assistance of the Division of Procurement's Bureau of Construction Services. The Bureau of Construction Services conducts a review of the Engineer's Estimate for a specific project to identify the items typically subcontracted by a prime contractor on similar projects. The Contractor Compliance Unit also reviews the construction firm's Engineer's Estimate along with the Bureau of Construction Service's determination of the subcontracting opportunities to further identify potential opportunities for truckers, suppliers, manufacturers, and service providers to project a contracting goal percentage to be subcontracted to DBE and/or ESBE firms. To ensure that the goal is proper, reasonable, and realistic, the Contractor Compliance Unit carefully analyzes the project's Engineer's Estimate, the Bureau of Construction Services sub-contracting determination, and the current list of certified DBE and ESBE firms who could potentially perform work typically sub-contracted on these types of projects. When determining availability of DBE and ESBE firms, the Contractor Compliance Unit also considers other projects in which those firms might be participating. The Contract Compliance Unit sets a goal that reflects a fraction of sub-lettable work items. Once set, NJDOT provides the prime contractor with an opportunity to determine the work items that they will perform and those that will be subcontracted to other firms.

The NJDOT Contractor Compliance Unit will also review the Engineer's Estimate and the Bureau of Construction Service's determination of the subcontracting opportunities and project a percentage to be subcontracted to DBE and ESBE firms. NJDOT obtains DBE participation on ESBE goal contracts (race-neutral participation) only when a DBE who is also certified as an ESBE wins the prime contract or participates as a subconsultant or subcontractor. Non-DBE certified ESBE participation is not counted toward the overall DBE goal. ESBE certification exists to maximize the race neutral requirement of the DBE program. NJDOT will monitor the effect of ESBE certification on DBE utilization.

To be eligible for ESBE certification, the firm must be a for-profit business, meet the SBA size standards in its industry as defined in 13 CFR Part 121.201 and be 51% owned and controlled by one or more economically disadvantaged individuals who are citizens of the United States or lawfully admitted permanent residents whose personal net worth does not exceed \$1.32 million.

To determine the portion of the goal that will be achieved through race neutral means, NJDOT calculated the median annual past percentage of the goal that was achieved through race neutral means from 2017 through 2021. NJDOT's past race neutral participation from 2017 through 2021 has been 4.53%, 3.20%, 5.54%, 2.07%, 3.94%, (**See Table 4**.) The median annual past race neutral participation is 3.94%. Therefore, NJDOT projects that 3.94% of the total federal financial assistance the Department will expend on FHWA contracts can be achieved through race and gender-neutral means or methods, and the remaining 6.01% can be achieved through race and gender conscious means or methods.

Race/Gender Neutral Participation			
Federal Fiscal Year	Actual Participation	Race/Gender Neutral Participation	
2017	13.17%	4.53%	
2018	15.81%	3.20%	
2019	14.29%	5.54%	
2020	10.57%	2.07%	
2021	12.13%	3.94%	
Median Race/Gender Neutral Participation		3.94%	

### Table 4: Race/Gender Neutral Participation, 2017-2021

# Public Participation

On June 22, 2022, NJDOT published a notice of the proposed triennial DBE goal of 9.95%. The notice informed the public that a meeting would be held on Friday, July 22, 2022. During the meeting, NJDOT presented its goal development process and considerations that factored into the preliminary goal. The notice also informed the public that the Department would accept comments at the NJDOT Headquarters or Federal Highway Administration until July 22, 2022.

The public notice was published on NJDOT's website. In addition to publishing the notice on the NJDOT website, NJDOT e-mailed the notice to minority and women owned business associations (NJ Association of Women Business Owners, NJ Professional Women in Construction,, NY and NJ Minority Supplier Development Council, National Association of Minority Contractors – Tri State (NY, NJ & CT), National Association of Minority Contractors – Philadelphia, Conference of Minority Transportation Officials – Philadelphia Chapter, Regional Alliance for Small Contractors, African American Chamber of Commerce of New Jersey, Statewide Hispanic Chamber of Commerce of New Jersey, Latinas in business, Inc.) as well as general contracting associations (Utility & Transportation Contractors Association, American Council of Civil Engineers – NJ.) NJDOT held a public consultation meeting on Friday, July 22, 2022, from 2:00 PM to 3:30 PM at the New Jersey Department of Transportation, David J. Goldberg Transportation Complex, 1035 Parkway Avenue Trenton, NJ 08625. There were no attendees from the public.

# A. Public Comment

NJDOT did not receive any public comments.

# **Conclusion**

As noted above, the DBE goal is a measurement of the actual relative availability of DBEs and potential DBEs to perform the types of work that NJDOT intends to contract. It is the percentage of DBEs among all firms that are ready, willing, and able to compete for DOT federally assisted contracts. This percentage is calculated by dividing the number of DBEs ready, willing, and able to perform the types of work that NJDOT will fund this year, by the number of all firms (DBEs and non-DBEs) ready, willing, and able to perform the types of work that the Department will fund this year.

Individual DBE and ESBE contracting goals for USDOT federally funded construction projects are not arbitrarily set; rather, they are determined by the Contract Compliance Unit with the assistance of the Division of Procurement's Bureau of Construction Services. The Bureau of Construction Services conducts a review of an Engineer's Estimate for a specific project to identify the items typically subcontracted by a prime contractor on similar projects. The Contractor Compliance Unit also reviews the project's Engineer's Estimate along with the Bureau of Construction Service's determination of the subcontracting opportunities to further identify potential opportunities for truckers, suppliers, manufacturers, and service providers to project a contracting goal percentage to be subcontracted to DBE and/or ESBE firms. To ensure that the goal is proper, reasonable, and realistic, the Contractor Compliance Unit carefully analyzes the project's Engineer's Estimate, the Bureau of Construction Services sub-contracting determination, and the current list of certified DBE and ESBE firms who could potentially perform work typically sub-contracted on these types of projects. When determining availability of DBE and ESBE firms, the Contractor Compliance Unit also considers other projects in which those firms might be participating. The Contract Compliance Unit sets a goal that reflects a fraction of sub-lettable work items. Once set, NJDOT provides the prime contractor with an opportunity to determine the work items that they will perform and those that will be subcontracted to other firms.

Furthermore, establishing a contract goal should not hinder opportunities for the prime contractor; it is not an unreasonable expectation. Under 49 CFR 26 Appendix A, when NJDOT establishes a DBE goal on a contract, "a bidder must, in order to be responsible and/or responsive, make good faith efforts to meet the goal. The bidder can meet this requirement in either of two ways. First, the bidder can meet the goal, documenting commitments for participation by DBE firms sufficient for this purpose. Second, even if it doesn't meet the goal, the bidder can document adequate good faith efforts. This means that the bidder

must show that it took all necessary and reasonable steps to achieve [the] DBE goal or other requirement of this part which, by their scope, intensity, and appropriateness to the objective, could reasonably be expected to obtain sufficient DBE participation, even if they were not fully successful."

Thus, with the above process clearly delineated in the regulations and in the NJDOT Standard Specifications for Road and Bridge Construction, 2019, including amendments, NJDOT will begin using its FFY 2023 to 2025 triennial DBE goal of 9.95% on October 1, 2022.