



American Society of Highway Engineers
Western Region
Phoenix / Sonoran Section

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Federal Funding & Working with the DBE Community



Current Climate

“... small businesses and entrepreneurs will play an important role in the economy’s eventual recovery through their flexibility and their ability to create innovative solutions, new industries, and jobs.”

The Small Business Economy;
Report to the President, 2009



Current Climate

- Investing in Small Business IS Investing in Economic Recovery
- Since the 1990's small businesses have been responsible for the creation of between 60 – 80% of all new jobs
- Responsible for the production of between 80 – 95% of our Gross Domestic Product
- Small businesses recover from recessions more quickly
- Businesses with fewer than 20 employees, historically, are responsible for the majority of new job creation following a recession



Stakeholders

- Arizona Department of Transportation
 - FHWA Recipient for the Arizona
- Small, women and minority owned firms (DBEs)
- Federal Contractors



Recent History – ADOT DBE Participation

- May 2005 – 9th Circuit Court of Appeals found race and gender-based federal aid programs to be unconstitutional without “evidence of past discrimination.”
- December 2005 - FHWA issued guidance requiring all funding recipients to conduct Disparity Studies to support current race and gender-based programs.
- January 2006 - ADOT suspended all race and gender-conscious requirements and instituted a wholly race and gender-neutral program.
- July 2007 - ADOT hired a third-party consultant to conduct a state-wide disparity study.



Recent History – ADOT DBE Participation

- The study purpose was to determine whether minority-owned and disadvantaged business enterprises (DBEs) were underutilized in ADOT's transportation design and construction programs.
- Prior to January 2006, DBE participation averaged 10 – 15% (20%+ on some projects)
- The current average is less than 3%



ADOT Disparity Study Status

- Findings resulted in recommendation for an annual goal of 8% DBE Participation
 - 4.9% Race and Gender-Neutral
 - 3.1% Race and Gender-Conscious
 - For construction projects all protected classes were included except Native American owned and women owned companies
 - For design projects all protected classes were included
 - The complete Study can be found on the ADOT Web site at www.azdot.gov



ADOT

- Competing on a national level for funding; use the DBE program to demonstrate that Arizona understands and embraces the Administration's priorities.
- Use the geographic preference of the DBE requirements to drive economic development in Arizona's small business community
- DBE Inclusion is a requirement not an option; just like Buy America or Davis Bacon
- \$1 rule = \$1 of federal funding and DBE opportunity must be assessed

If we have no choice, why not leverage DBE activity to benefit our organization and community?



DBEs

- Are DBEs a big part of the small business impact?
- Over 60% of Arizona businesses are women and minority owned
- Currently less than 1% of all potentially eligible businesses are DBE certified
- Nationally nearly 16 million people are self-employed; 22% are minority and 33% are women

Leveling the playing field isn't the "right" thing to do, it's the smart thing to do.



DBEs

- Certified firms need to bid on projects
 - Goals are set based on the level of ready, willing, and able companies per sub-contracting opportunity
- Certified firms need to take advantage of the resources available to them
 - ADOT has a \$500,000 budget for this fiscal year alone for DBE supportive services
- Firms that are not certified need to research the advantages:
 - Technical management and business development assistance
 - Small business loans
 - Greater visibility among primes



Federal Contractors

- The ADOT Disparity Study is currently under review by the US DOT.
- Upon approval, ADOT will begin setting DBE participation goals again.
- Because of the lack of participation, ADOT has made clear that it will be setting aggressive goals to compensate.
- Federal contractors, for both design and construction will have to meet these goals.



Federal Contractors

- Compliance can be a Hardship or a Partnership; It's Your Choice
- Make real good faith efforts – i.e. don't send marketing staff to outreach/networking events, send Estimators and Project Managers
- Honor commitments made at time of bid
- COMMUNICATE – COMMUNICATE - COMMUNICATE
- More Grants Received = More Contracting Opportunities for YOU
- Recognize the national aspirational goal of 10% and set internal goals regardless of requirements
- The FHWA prefers race/gender neutral participation; foster an environment of small business inclusion
- Like any other area of regulatory compliance, the more fully the intent of the program is embraced the more favorable public owners appear
- The more favorable a public owner appears, the more competitive they can be at the national level
- Without your cooperation, public owners can not have successful programs.



Conclusion

- The health of the small business community is vital to the economic recovery of our state.
- A way to support that part of our community is to take advantage of the DBE requirements.
- ADOT has to compete for funds.
- DBE's need to make their presence known and take advantage of resources.
- Federal Contractors need to be partners .

Contact Information

- ADOT Disparity Study: www.azdot.gov
- Office of Small and Disadvantaged Business Utilization: www.osdbu.dot.gov
- Small Business Administration: www.sba.gov
- FHWA Civil Rights: www.fhwa.dot.gov/civilrights

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