

**STATE OF HAWAII  
DEPARTMENT OF TRANSPORTATION**

**DBE GOALS AND METHODOLOGY  
LARGE & MEDIUM HUB PRIMARY AIRPORTS – HONOLULU INTERNATIONAL  
AIRPORT AND KAHULUI AIRPORT**

**Federal Fiscal Years 2020 – 2022**

**DRAFT FOR PUBLIC COMMENT**

**Introduction**

The Hawaii Department of Transportation hereby submits its proposed annual, overall Disadvantaged Business Enterprise goals for Honolulu International Airport and Kahului Airport for federal fiscal years 2020 through 2022 to the Federal Aviation Administration pursuant to [49 CFR Part 26, section 26.45](#). HDOT uses FAA funds for contracts at Honolulu International Airport (HNL) and Kahului Airport (OGG); therefore, the overall DBE goal pertains to those activities. The proposed goal may be refined before formal submission to FAA in August 2019 after review of public input about the goals.

Based on the results of a DBE Availability Study prepared in 2019 by Keen Independent Research (Keen Independent), HDOT has proposed a 19.06% DBE goal for Honolulu International Airport and a 28.94% DBE goal for Kahului Airport for FFYs 2020 through 2022 for FAA-funded contracts. The overall goals are based on demonstrable evidence of ready, willing and able DBEs relative to all businesses currently ready, willing and able to participate on HDOT's FAA-assisted contracts at these airports

The 2019 Availability Study report also provides information to HDOT to consider projections of the portion of these overall DBE goals to be achieved through neutral means. HDOT estimates 0.01% of the overall goal for Honolulu International Airport and 0.00% of the goal for Kahului Airport can be achieved through race- and gender-neutral (RN) participation. The remaining portions of those overall DBE goals will need to be met through use of race- and gender-conscious (RC) contract goals.

The full Availability and Disparity Study report, to be produced in fall 2019, will have complete results about the use of minority- and women-owned firms, by racial, ethnic and gender group, in HDOT FAA-funded transportation contracts. HDOT may refine these goals and projections once the full report is complete.

**I. Determining a Base Figure — Pursuant to 49 CFR Section 26.45(c)**

HDOT began the process of determining its overall DBE goal by establishing a base figure for DBE participation in HDOT's FAA-funded transportation contracts.

The availability analysis determined the percentage of HDOT FAA-funded contracts from July 2011 through June 2016 that might go to current or potential DBEs (defined on page 5) if they had the same chance of winning that work as any other available firm, after accounting for the type, size and location of those prime contracts and subcontracts.

As presented in Chapter 4 of the Availability Study, one might expect participation of current and potential DBEs to be 37.03% for FAA-funded contracts at Honolulu International Airport and 57.87% for FAA-funded contracts at Kahului Airport based on analysis of contracts from July 2011 through June 2016 at those airports. These two numbers represent the “base figures” resulting from the availability analysis.

This section explains how the relative availability of current and potential DBEs was calculated.

**Relevant Geographic Market Area and Types of Work.** Keen Independent developed a database of available firms (DBEs and non-DBEs) to examine availability for FAA-funded prime contracts and subcontracts at each HDOT airport in Hawaii.

Based on analysis of FAA-funded contracts for July 2011 through June 2016, Keen Independent determined that Hawaii should be selected as the relevant geographic market area for FAA-funded contracts in the availability study.

- About 90% of HDOT FAA-funded contract dollars at all airports from July 2011 through June 2016 went to firms with locations in Hawaii. Therefore, the availability analysis examined firms with locations in Hawaii.
- Keen Independent also examined the types of work involved in FAA-funded contracts. There were 31 types of work that accounted for more than 86% of FAA-funded contract dollars from July 2011 through July 2016. The availability analysis focused on firms performing those 31 types of work.

**DBE Availability.** As briefly set out below and explained in detail in Chapter 4 and Appendix D of the Availability Study report, Keen Independent compiled a master availability database, calculated the relative availability of current and potential DBEs for each FAA-funded contract, and then dollar-weighted the results. This analysis produced availability figures of 37.03% and 57.87% for HDOT’s FAA-funded transportation contracts at Honolulu and Kahului airports, respectively.

Availability is expressed as the percentage of the associated contracting dollars that one might expect DBEs to receive based on various factors including the type of work involved, the location of the work and the size of the contract or subcontract, and then dollar-weighting results to prepare overall availability estimates.

In the base figure analysis, firms considered as DBEs were those businesses that were DBE-certified or appeared that they could be DBE-certified based on revenue criteria described in federal regulations including 49 CFR Section 26.65.

Master Availability Database. Keen Independent developed a master availability database (current and potential DBEs and non-DBEs) by contacting thousands of firms to collect information about availability for HDOT contracts. The firms contacted for the database came from sources including, but not limited to:

- Companies that had previously identified themselves to HDOT as interested in learning about future work by being prequalified for work or being on bidding lists; and
- Businesses that Dun & Bradstreet (D&B) identified in certain transportation contracting-related sub-industries in Hawaii (D&B’s Hoover’s business establishment database). (D&B’s Hoover’s database is accepted as the most comprehensive and complete source of business listings in the nation.)

The study team completed surveys with 1,101 Hawaii businesses. After consolidating duplicate responses and removing companies that are no longer in business, not-for-profit, unable to perform highway-related work, or uninterested in discussing availability for HDOT work, the final database contains 304 businesses, of which 174 (about 57%) were minority- or women-owned (MBE or WBE). Figure 1 presents these results.

Head Count DBE Availability. The 57% figure represents a simple “head count” of MBE and WBE firms, and is only the first step in calculating the DBE availability base figure. The availability calculation is further refined by dollar-weighting and by removing any MBE or WBE firms that are ineligible to become DBE certified from the potential DBE count.

**Figure 1. Availability “Head Count” of Transportation Construction and Engineering-related Businesses Included in 2019 Availability Study**

Race/ethnicity and gender	Number of firms	Percent of firms
African American-owned	5	1.6 %
Asian Pacific American, Native Hawaiian or Pacific Islander-owned	126	41.4
Hispanic American-owned	18	5.9
American Indian or Alaska Native-owned	2	0.7
Subcontinent Asian American-owned	10	3.3
<b>Total MBE</b>	<b>161</b>	<b>53.0 %</b>
WBE (white women-owned)	13	4.3
<b>Total MBE/WBE</b>	<b>174</b>	<b>57.2 %</b>
Total majority-owned firms	130	42.8
<b>Total firms</b>	<b>304</b>	<b>100.0 %</b>

Note: Numbers rounded to nearest tenth of 1 percent. Percentages may not add to totals due to rounding.  
 Source: Keen Independent 2019 Availability Study (Chapter 4, page 8).

Dollar-Weighted Availability. For each of the availability analyses prepared for the Availability Study, Keen Independent developed dollar-weighted availability benchmarks. This approach is consistent with USDOT’s “Tips for Goal-Setting in the Disadvantaged Business Enterprise (DBE) Program.”

To calculate dollar-weighted availability, Keen Independent determined the number of DBEs and the total number of firms available for each FAA-funded contract in the five-year study period (July 2011 through June 2016). For some contracts, DBE availability could be 0% and in other contracts DBE availability could be 75% or more.

Keen Independent then dollar-weighted the availability results for each prime contract and subcontract based on the dollars of that prime or subcontract relative to the total dollars of FAA-funded contracts in the study period. The method to determine the dollar-weights is described in detail in Chapter 4 — Section E, and Appendix D of the Availability Study. Keen Independent separately conducted this analysis for each individual HDOT airport.

Dollar-weighted availability is much more precise than a simple “head count” of businesses because it considers the following factors regarding available firms: (1) qualifications and interest in performing prime contracts and/or subcontracts, (2) type of work performed, (3) location of contracting opportunity, and (4) size of the contract or subcontract. Figure 2 below presents an example of an availability calculation.

**Figure 2. Example of an Availability Calculation for a Honolulu International Airport Subcontract**

One of the subcontracts examined was for concrete flatwork (\$85,300) on an HDOT 2011 Federal Aviation Administration-funded contract for Honolulu International Airport. To determine the number of MBE/WBEs and majority-owned firms available for that subcontract, the study team identified businesses in the availability database that:

- a. Were in business in 2011;
- b. Indicated that they performed concrete flatwork on transportation-related projects;
- c. Reported working or bidding on subcontracts in Hawaii in the past seven years;
- d. Reported bidding on work of similar or greater size in the past seven years;
- e. Reported ability to perform work on Oahu; and
- f. Reported qualifications and interest in working as a subcontractor on local government transportation projects.

There were 11 businesses in the availability database that met those criteria. Of those businesses, 5 were MBEs or WBEs. Therefore, MBE/WBE availability for the subcontract was 45 percent (i.e.,  $5/11 = 45\%$ ).

The weight applied to this contract was  $\$85,300 \div \$815 \text{ million} = 0.01\%$  (equal to its share of total FAA-funded contract dollars for HDOT contracts).

Keen Independent repeated this process for each prime contract and subcontract.

Source: Keen Independent availability analysis.

Figure 3 presents the overall dollar-weighted MBE/WBE availability figures for HDOT FAA-funded contracts at Honolulu (52%) and Kahului (59%) airports. The dollar-weighted result for Honolulu International Airport is lower than the headcount of available MBE/WBE firms (57%), because minority- and women-owned firms comprised a smaller portion of firms available for large prime contracts than for smaller specialty trade prime contracts and subcontracts.

**Figure 3. Overall Dollar-Weighted Availability Estimates for MBE/WBE group for HDOT FAA-Funded Contracts at Honolulu and Kahului Airports, July 2011–June 2016**

Race/ethnicity and gender	HNL	OGG
African American-owned	0.04 %	0.80 %
Asian Pacific American, Native Hawaiian or Pacific Islander-owned	13.03	44.24
Hispanic American-owned	1.21	5.00
American Indian or Alaska Native-owned	0.83	1.01
Subcontinent Asian American-owned	19.22	3.52
<b>Total MBE</b>	<b>34.33 %</b>	<b>54.57 %</b>
WBE (white women-owned)	17.21	4.21
<b>Total MBE/WBE</b>	<b>51.54 %</b>	<b>58.78 %</b>

Source: Keen Independent 2019 Availability Study (Chapter 4, page 13).

**Potential and Certified DBE Availability Adjustments.** To determine the DBE base figures, including potential and certified DBE availability, Keen Independent refined the dollar-weighted availability results for each airport by not counting any MBE or WBE firms as potential DBEs that appear to be ineligible for certification. There were two groups of MBE/WBEs that did not count as potential DBEs when calculating each base figure:

- MBE/WBEs that in recent years graduated from the DBE Program or had applied for DBE certification in Hawaii, but were denied (based on information supplied by HDOT’s Office of External Civil Rights).
- MBE/WBEs that reported annual revenue in the availability surveys that exceeded the revenue limits for DBE certification for their subindustry over the most recent three years (at the time of the 2018 survey).

After subtracting the availability of these two categories of MBE/WBEs, the dollar-weighted availability for current and potential DBEs on Honolulu International Airport contracts is 37.03%, or 14.51% lower than total MBE/WBE availability. Dollar-weighted availability for current and potential DBEs on Kahului Airport contracts is 57.87%, or 0.91% lower than total MBE/WBE availability. This information is shown in Figure 4 below.

**Figure 4. Overall Dollar-Weighted Availability Estimates for MBE/WBEs for HDOT FAA-Funded Contracts at HNL and OGG, July 2011–June 2016**

Calculation of base figure	HNL	OGG
Total MBE/WBE	51.54 %	58.78 %
Less firms that graduated from the DBE Program or denied DBE certification in recent years or exceed revenue thresholds	14.51	0.91
Subtotal	37.03 %	57.87 %
Plus white male-owned DBEs	0.00	0.00
Current and potential DBEs	37.03 %	57.87 %

Source: Keen Independent 2019 Availability Study (Chapter 4, page 14).

**Base Figures.** The base figures representing potential and certified DBEs available for HDOT’s FAA-funded contracts at Honolulu International Airport and Kahului Airport are 37.03% and 57.87%, respectively.

**II. Consideration of Possible Step-2 Adjustments — 49 CFR Section 26.45(d)**

In accordance with DBE Program regulations, after the base figure was calculated, HDOT considered available evidence to determine whether or not the figure should be adjusted higher or lower than the base figure (a “step-2 adjustment”). The regulations indicate an agency must consider the following:

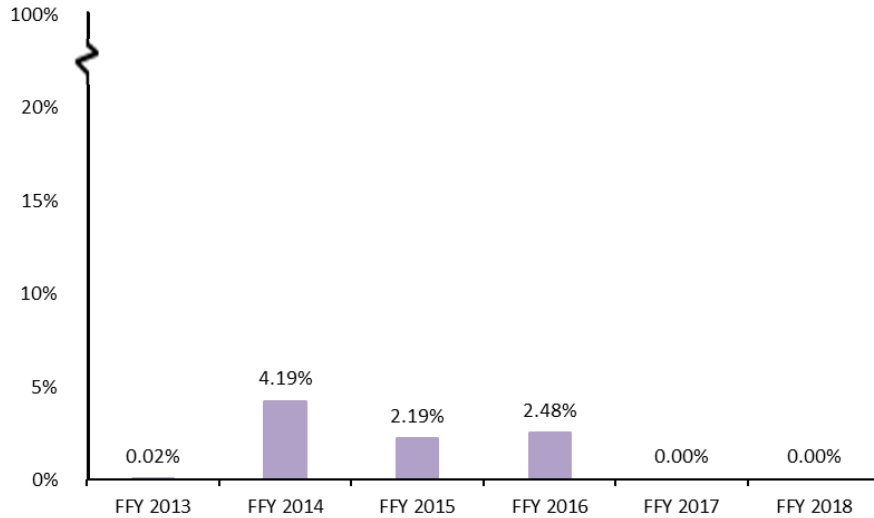
- Current capacity of DBEs to perform work, as measured by the volume of work DBEs have performed in recent years;
- Information on employment, self-employment, education, training and unions;
- Any disparities in the ability of DBEs to get financing, bonding and insurance; and
- Other relevant factors.

Taking into account relevant information from the 2019 Availability Study, HDOT considered each of these factors below in determining whether or not to adjust the base figure.

**1. Current Capacity of DBEs to Perform Work, Measured by the Volume of Work DBEs Performed in Recent Years.** USDOT’s “Tips for Goal-Setting” suggests that agencies should examine data on past DBE participation on their USDOT-funded contracts in recent years (i.e., the percentage of contract dollars going to DBEs).

DBE Participation Based on HDOT Uniform Reports to the FAA for Honolulu International Airport. Figure 5 presents information about past DBE participation for Honolulu International Airport contracts based on commitments/awards data from HDOT Uniform Reports of DBE Awards or Commitments and Payments reported to FAA. The median DBE participation for FFY 2013–FFY 2018 is 1.11%.<sup>1</sup>

**Figure 5. Honolulu International Airport — HDOT-reported Past DBE Participation on FAA-funded Contracts, FFY 2013 through FFY 2018**



Source: HDOT Uniform Reports of DBE Awards/Commitments and Payments.

DBE Participation Based on HDOT Uniform Reports to the FAA for Kahului Airport. HDOT reported no prime contract or subcontract awards or payments to DBEs in its Uniform Reports of DBE Awards or Commitments and Payments to FAA for Kahului Airport for FFY 2013 through FFY 2018. Therefore, median DBE participation for Kahului Airport based on these data is 0.00%.

DBE Participation Based on Keen Independent Utilization Analysis for FAA-funded Contracts. The Keen Independent study team collected FAA-funded contract information for Honolulu International Airport and Kahului Airport.

- The study team identified six Honolulu International Airport contracts going to DBEs totaling \$11 million (9.31% DBE participation).
- In addition, the study team identified two Kahului Airport contracts going to DBEs totaling \$8,000, about 0.25% DBE participation.

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<sup>1</sup> 1.11% is the halfway point between the two “middle” pair of values for annual DBE participation: 2.19% in FFY 2015 and 0.02% in FFY 2013.

At this point in time, HDOT chooses to use median DBE participation indicated in the Uniform Reports to consider step 2 adjustments for each airport, but might refine this analysis once all results of the Availability and Disparity Study are released.

## **2. Information Related to Employment, Self-employment, Education, Training and Unions.**

Chapter 5 of the Availability Study summarizes information about conditions in the Hawaii transportation contracting industry for minorities, women and MBE/WBEs. Detailed quantitative analyses of marketplace conditions in Hawaii are presented in Appendices E through H of the Availability Study. Keen Independent’s analyses indicate that there are barriers that certain minority groups and women face related to entry and advancement and business ownership in the Hawaii construction and engineering industries. Such barriers may affect the availability of MBE/WBEs to obtain and perform HDOT transportation contracts. There are also barriers to business ownership for those working in these industries.

It may not be possible to quantify the cumulative effect that barriers in employment, education and training may have had in depressing the availability of minority- and women-owned firms in the Hawaii transportation contracting industry. However, the effects of barriers in business ownership can be quantified, as explained in Chapter 7 of the Availability Study.

The study team used regression analyses to investigate whether race, ethnicity and gender affected rates of business ownership among workers in the Hawaii construction and engineering industries. The regression analyses allowed the study team to examine those effects while statistically controlling for various personal characteristics including education and age (Appendix F of the Availability Study provides detailed results of the business ownership regression analyses).<sup>2</sup> Those analyses revealed that Asian Pacific/Native Hawaiian and other minority groups as well as white women working in construction were less likely than non-minorities and white men to own construction businesses, even after accounting for various race- and gender-neutral personal characteristics. Each of these disparities was statistically significant.

In addition, there was a disparity in the business ownership rates for Asian Pacific Americans and Native Hawaiians working in the engineering industry.

Keen Independent analyzed the impact that barriers in business ownership would have on the base figure for FAA-funded contracts if Asian Pacific Americans, Native Hawaiians and white women owned businesses at the same rate as similarly-situated non-minorities and white men in those two industries. This type of inquiry is sometimes referred to as a “but for” analysis because it estimates the availability of MBE/WBEs *but for* the effects of race- and gender-based discrimination.

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<sup>2</sup> The study team examined U.S. Census data on business ownership rates using methods similar to analyses examined in court cases involving state departments of transportation in California, Illinois and Minnesota.



As the explanation of these calculations are somewhat complex, HDOT provides Figures 6 and 7 to document how these upward adjustments were determined. A detailed explanation of each portion of the calculation follows these tables.

Figure 6 calculates the impact on overall MBE/WBE availability for Honolulu International Airport contracts, resulting in a possible upward adjustment of the base figure to 63.80%. The analysis included the same contracts that the study team analyzed to determine the base figure (i.e., FAA-funded construction and engineering prime contracts and subcontracts that HDOT awarded from July 2011 through June 2016). The calculations in Figure 6 indicate a possible upward step 2 adjustment of 26.77 percentage points for Honolulu International Airport contracts.

**Figure 6. Honolulu International Airport — Potential Step 2 Adjustment Considering Disparities in the Rates of Business Ownership**

	a.	b.	c.	d.	e.
Current and potential DBEs	Current availability	Disparity index for business ownership	Availability after initial adjustment*	Availability after scaling to 100%	Components of overall DBE availability**
<b>Construction</b>					
Asian Pacific American, Native Hawaiian or Pacific Islander	7.63 %	30	25.43 %	14.60 %	
Other minorities	2.01	65	3.09	1.77	
White women	<u>24.87</u>	31	<u>80.23</u>	<u>46.04</u>	
Minorities and women	34.51 %	n/a	108.74 %	62.41 %	55.81 %
All other businesses	<u>65.49</u>	n/a	<u>65.49</u>	<u>37.59</u>	
<b>Total firms</b>	<b>100.00 %</b>	n/a	<b>174.24 %</b>	<b>100.00 %</b>	
<b>Engineering and other subindustries</b>					
Asian Pacific American, Native Hawaiian or Pacific Islander	43.12 %	38	113.47 %	66.61 %	
Other minorities	12.69	n/a	12.69	7.45	
White women	<u>2.56</u>	n/a	<u>2.56</u>	<u>1.50</u>	
Minorities and women	58.37 %	n/a	128.72 %	75.56 %	7.99 %
All other businesses	<u>41.63</u>	n/a	<u>41.63</u>	<u>24.44</u>	
<b>Total firms</b>	<b>100.00 %</b>	n/a	<b>170.35 %</b>	<b>100.00 %</b>	
<b>Total for current and potential DBEs</b>	<b>37.03 %</b>	n/a	n/a		<b>63.80 %</b>
<b>Difference from base figure</b>					<b>26.77 %</b>

Note: Numbers may not add to totals due to rounding.

\* Initial adjustment is calculated as current availability divided by the disparity index.

\*\* Components of goal calculated as value after adjustment and scaling to 100% multiplied by percentage of total FAA-funded contract dollars in that category (construction = 89.4%, engineering = 10.6%).

Source: Keen Independent 2019 Availability Study (Chapter 7, page 5).

As demonstrated in Figure 7, the Keen Independent study team also calculated the impact on overall availability of DBEs and potential DBEs for FAA-funded construction and engineering contracts at Kahului Airport. The result is a possible upward adjustment of 18.47 percentage points.

**Figure 7. Kahului Airport — Potential Step 2 Adjustment Considering Disparities in the Rates of Business Ownership**

Current and potential DBEs	a. Current availability	b. Disparity index for business ownership	c. Availability after initial adjustment*	d. Availability after scaling to 100%	e. Components of overall DBE availability**
<b>Construction</b>					
Asian Pacific American, Native Hawaiian or Pacific Islander	40.42 %	30	134.73 %	68.78 %	
Other minorities	2.94	65	4.52	2.31	
White women	<u>8.37</u>	31	<u>8.37</u>	<u>4.27</u>	
Minorities and women	51.73 %	n/a	147.63 %	75.36 %	16.56 %
All other businesses	<u>48.27</u>	n/a	<u>48.27</u>	<u>24.64</u>	
<b>Total firms</b>	<b>100.00 %</b>	n/a	<b>195.90 %</b>	<b>100.00 %</b>	
<b>Engineering and other subindustries</b>					
Asian Pacific American, Native Hawaiian or Pacific Islander	44.63 %	38	117.45 %	67.96 %	
Other minorities	11.76	n/a	11.76	6.80	
White women	<u>3.21</u>	n/a	<u>3.21</u>	<u>1.86</u>	
Minorities and women	59.60 %	n/a	132.42 %	76.62 %	59.79 %
All other businesses	<u>40.40</u>	n/a	<u>40.40</u>	<u>23.38</u>	
<b>Total firms</b>	<b>100.00 %</b>	n/a	<b>172.82 %</b>	<b>100.00 %</b>	
<b>Total for current and potential DBEs</b>	<b>57.87 %</b>	n/a	n/a		<b>76.34 %</b>
<b>Difference from base figure</b>					<b>18.47 %</b>

Note: Numbers may not add to totals due to rounding.

\* Initial adjustment is calculated as current availability divided by the disparity index.

\*\* Components of goal calculated as value after adjustment and scaling to 100% multiplied by percentage of total FAA-funded contract dollars in that category (construction = 22.0%, engineering = 78.0%).

Source: Keen Independent 2019 Availability Study (Chapter 7, page 6).

The following pages describe the process for making these calculations, using the Honolulu International Airport analyses in Figure 6 as an example.

The study team completed these “but for” analyses separately for construction and engineering contracts and then weighted the results based on the proportion of FAA-funded contract dollars that HDOT awarded for construction and engineering for July 2011 through June 2016 (i.e., an 89.4% weight for construction and 10.6% weight for engineering for Honolulu International Airport and 22.0% for construction and 78.0% for engineering for Kahului Airport). The rows and columns of Figure 6 present the following information from Keen Independent’s “but for” analyses for Honolulu Airport contracts:

- a. Current Availability. Column (a) presents the current availability of current and potential DBEs by group for construction and for engineering and other subindustries. Each row presents the percentage availability for minority- and women-owned firms. The current combined availability of current and potential DBEs for HDOT FAA-funded transportation contracts for July 2011 through June 2016 is 37.03%, as shown in bottom row of column (a).
- b. Disparity Indices for Business Ownership. As presented in Appendix F of the Availability Study, Asian Pacific Americans, Native Hawaiians and white women were significantly less likely to own construction firms than similarly-situated non-minorities and white men.

Keen Independent calculated simulated business ownership rates if those groups owned businesses at the same rate as non-minorities and white males who share similar personal characteristics. The study team then calculated a business ownership disparity index for each group by dividing the observed business ownership rate by the benchmark business ownership rate and then multiplying the result by 100.

Column (b) of Figure 6 presents disparity indices related to business ownership for the different racial/ethnic and gender groups. For example, as shown in column (b), Asian Pacific American, Native Hawaiian and Pacific Islanders own construction businesses at 30% of the rate that would be expected based on the simulated business ownership rates of white males who share similar personal characteristics. Appendix F explains how the study team calculated the disparity indices.

- c. Availability After Initial Adjustment. Column (c) presents availability estimates for MBEs and WBEs by industry after initially adjusting for statistically significant disparities in business ownership rates. The study team calculated those estimates by dividing the current availability in column (a) by the disparity index for business ownership in column (b) and then multiplying by 100.
- d. Availability After Scaling to 100%. Column (d) shows adjusted availability estimates that were re-scaled so that the sum of the availability estimates equals 100% for each industry. The study team re-scaled the adjusted availability estimates by taking each group's adjusted availability estimate in column (c) and dividing it by the sum of availability estimates shown under "Total firms" in column (c) — and multiplying by 100. For example, the re-scaled availability estimate for Asian Pacific American, Native Hawaiian or Pacific Islanders shown for construction was calculated in the following way:  $(25.43\% \div 174.24\%) \times 100 = 14.60\%$ .

- e. Components of Overall DBE Goal with Upward Adjustment. Column (e) of Figure 6 shows the component of the total base figure attributed to the adjusted MBE and WBE availability for construction versus engineering and other subindustries. The study team calculated each component by taking the total availability estimate shown in column (d) for construction and for engineering/other — and multiplying it by the proportion of total FAA-funded contract dollars in each industry (i.e., 89.4% for construction and 10.6% for engineering for Honolulu International Airport; 22.0% for construction and 78.0% for engineering for Kahului Airport). For example, the study team used the 62.41% shown for MBE/WBE availability for construction firms in column (d) and multiplied it by 89.4% for a result of 55.81%. A similar weighting of MBE/WBE availability for engineering/other produced a value of 7.99%.

The values in column (e) were then summed to equal the overall base figure adjusted for barriers in business ownership, which is 63.80% as shown in the bottom of column (e).

Finally, Keen Independent calculated the difference between the “but for” MBE/WBE availability (63.80%) and the current availability (37.03%) to calculate the potential upward adjustment. This difference, and potential upward adjustment, is 26.77 percentage points ( $63.80\% - 37.03\% = 26.77\%$ ).

**3. Any Disparities in the Ability of DBEs to Get Financing, Bonding and Insurance.** Analysis of access to financing and bonding revealed quantitative and qualitative evidence of disadvantages for minorities, women and MBE/WBEs.

- Any barriers to obtaining financing and bonding might affect opportunities for minorities and women to successfully form and operate construction and engineering businesses in the Hawaii marketplace.
- If there are barriers that MBE/WBEs face in obtaining financing and bonding, those firms would also be at a disadvantage in obtaining and performing HDOT construction and engineering prime contracts and subcontracts.

Note that financing and bonding are closely linked, as discussed in Chapter 5 and Appendix J of the Availability Study.

The information about financing, bonding and insurance supports an upward step 2 adjustment in HDOT’s overall annual goal for DBE participation in FAA-funded contracts.

**4. Other Factors.** The Federal DBE Program suggests that federal aid recipients also examine “other factors” when determining whether to make any step 2 adjustments to their base figure.<sup>3</sup>

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<sup>3</sup> 49 CFR Section 26.45.

**Success in the Hawaii Marketplace.** Among the “other factors” examined in this study was the success of MBE/WBEs relative to majority-owned businesses in the Hawaii marketplace. There is quantitative evidence that certain groups of MBE/WBEs are less successful than majority-owned firms, and face greater barriers in the marketplace, even after considering neutral factors. In the 2019 Availability Study, Chapter 5 summarizes that evidence and Appendix H presents supporting quantitative analyses.

There is also qualitative evidence of barriers to the success of minority- and women-owned businesses, as summarized in Appendix J of the Availability Study. Some of this qualitative information suggests that discrimination on the basis of race, ethnicity and gender affects minority- and women-owned firms in the Hawaii transportation contracting industry.

There is not a straightforward way to project the number of MBE/WBEs available for HDOT work but for the effects of these other factors.

**Summary of Approaches for Making Step 2 Adjustments.** Quantification of potential downward or upward step 2 adjustments is summarized below.

1. Current Capacity of DBEs to Perform Work, as Measured by the Volume of Work DBEs Have Performed in Recent Years. DBE capacity analysis might indicate a downward step 2 adjustment if HDOT based this determination on past DBE participation — for the last six fiscal years (FFY 2013 through FFY 2018) the median reported DBE participation on FAA-funded contracts was 1.11% for Honolulu International Airport and 0.00% for Kahului Airport.

2. Information Related to employment, self-employment, education, training and unions. The study team was not able to quantify all of the information regarding barriers to entry for MBE/WBEs. Quantification of the business ownership factor indicates an upward step 2 adjustment of 26.77 percentage points (for Honolulu International Airport as presented in Figure 6) and 18.47 percentage points (for Kahului Airport as presented in Figure 7) to reflect the “but-for” analyses of business ownership rates. If HDOT made this upward adjustment, the overall DBE goal for FAA-funded contracts would be 63.80% for Honolulu International Airport and 76.34% for Kahului Airport.

- Honolulu International Airport.  $37.03\% + 26.77\% = 63.80\%$ .
- Kahului Airport.  $57.87\% + 18.47\% = 76.34\%$ .

Possible downward or upward adjustments for the overall DBE goal for Honolulu International Airport are shown in Figure 8.

**Figure 8. Honolulu International Airport — Potential Step 2 Adjustments for HDOT’s Overall DBE goal for FAA-funded contracts, FFY 2020–FFY 2022**

Step 2 adjustment component	Value	Explanation
<b>Lower range of overall DBE goal</b>		
Base figure	37.03 %	From base figure analysis
Evidence of current capacity	- 1.11	Past DBE participation (Uniform DBE reports)
Difference	35.92 %	
	÷ 2	Reduce by one-half
Adjustment	17.96 %	Downward adjustment for current capacity
Base figure	37.03 %	From base figure analysis
Adjustment for current capacity	- 17.96	Downward step 2 adjustment
<b>Overall DBE goal</b>	<b>19.07 %</b>	Lower range of DBE goal
<b>Upper range of overall DBE goal</b>		
Base figure	37.03 %	From base figure analysis
Adjustment for "but for" factors	+ 26.77	"But for" step 2 adjustment for business ownership
<b>Overall DBE goal</b>	<b>63.80 %</b>	Upper range of DBE goal

Source: Keen Independent 2019 Availability Study (Chapter 7, page 8).

With respect to Kahului Airport, if HDOT made a downward step 2 adjustment reflecting current capacity to perform work, the overall DBE goal for FAA-funded contracts would be 28.94%. If HDOT decided to not make a downward adjustment and to instead make an upward adjustment that reflects analyses of business ownership rates, the overall DBE goal would be 76.34%. Figure 9 summarizes this information.

**Figure 9. Kahului Airport — Potential Step 2 Adjustments for HDOT’s Overall DBE goal for FAA-funded contracts, FFY 2020–FFY 2022**

Step 2 adjustment component	Value	Explanation
<b>Lower range of overall DBE goal</b>		
Base figure	57.87 %	From base figure analysis
Evidence of current capacity	- 0.00	Past DBE participation (Uniform DBE reports)
Difference	57.87 %	
	÷ 2	Reduce by one-half
Adjustment	28.94 %	Downward adjustment for current capacity
Base figure	57.87 %	From base figure analysis
Adjustment for current capacity	- 28.94	Downward step 2 adjustment
<b>Overall DBE goal</b>	<b>28.94 %</b>	Lower range of DBE goal
<b>Upper range of overall DBE goal</b>		
Base figure	57.87 %	From base figure analysis
Adjustment for "but for" factors	+ 18.47	"But for" step 2 adjustment for business ownership
<b>Overall DBE goal</b>	<b>76.34 %</b>	Upper range of DBE goal

Source: Keen Independent 2019 Availability Study (Chapter 7, page 9).

3. Any disparities in the ability of DBEs to get financing, bonding and insurance. Analysis of financing, bonding and insurance indicates that an upward adjustment is appropriate. However, impact of these factors on availability could not be quantified.

4. Other factors. Impact of the many barriers to success of MBE/WBEs in Hawaii could not be specifically quantified. However, the evidence supports an upward adjustment.

**Adjustments Summary.** For FAA-funded contracts at both Honolulu Airport and Kahului Airport, HDOT proposes a downward step 2 adjustment.

Adjustments for Honolulu Airport. For FAA-funded contracts at Honolulu Airport, HDOT proposes a downward adjustment to 19.07%, which is calculated by subtracting one-half of the difference between the base figure (37.03%) and the median past participation of certified DBEs over the period examined in the 2019 Availability Study (1.11%), rounded to the nearest hundredth of a percent.

Adjustment for Kahului Airport. For FAA-funded contracts at Kahului Airport, HDOT proposes a downward adjustment to 28.94%, which is calculated by subtracting one-half of the difference between the base figure (57.87%) and the median past participation of certified DBEs over the period examined in the 2019 Availability Study (0.00%), rounded to the nearest hundredth of a percent.

The downward step 2 adjustments to the goals for Honolulu Airport (19.07%) and Kahului Airport (28.94%) are supported by the fact that median past DBE participation at those airports (1.11% and 0.00%, respectively) is considerably below the base figures calculated for each airport. The proposed overall DBE goals are also consistent with the goals set for those two airports for FFY 2017 through FFY 2019.

### **III. Race-Neutral / Race-Conscious Projections — 49 CFR Section 26.51(d)**

To comply with the Federal DBE Program, HDOT must meet the maximum feasible portion of its overall DBE goal using race- and gender-neutral measures. Race- and gender-neutral measures are initiatives that encourage the participation of all businesses, or all small businesses, and are not specifically limited to MBE/WBEs or DBEs. HDOT has considered whether it can meet its overall DBE goals solely through neutral means or whether race- and gender-conscious measures — such as DBE contract goals — are also needed. As part of doing so, HDOT has projected the portion of its overall DBE goals that it expects to meet (a) through race- and gender-neutral means, and (b) through race- and gender-conscious programs (if any).

USDOT offers guidance concerning how transportation agencies should project the portions of their overall DBE goals that will be met through race- and gender-neutral, and race- and gender-conscious measures, including the following:

- USDOT Questions and Answers about 49 CFR Part 26 addresses factors for federal aid recipients to consider when projecting the portion of their overall DBE goals that they will meet through race- and gender-neutral means.<sup>4</sup>
- USDOT “Tips for Goal-Setting” also suggests factors for federal aid recipients to consider when making such projections.<sup>5</sup>

Based on 49 CFR Part 26 and the resources above, HDOT considered the following questions:

1. Is there evidence of discrimination within the local transportation contracting marketplace for any racial, ethnic or gender groups?
2. What has been the agency’s past experience in meeting its overall DBE goal?
3. What has DBE participation been when the agency did not use race- or gender-conscious measures?<sup>6</sup>
4. What is the extent and effectiveness of race- and gender-neutral measures that the agency could have in place for the next fiscal year?
5. Should HDOT Project that it Can Meet All of its Overall DBE Goals through Neutral Means?

The balance of this section is organized around each of those general areas of questions.

**1. Is There Evidence of Discrimination within the Local Transportation Contracting Marketplace for any Racial, Ethnic or Gender Groups?** The 2019 Availability Study considered conditions in the local marketplace to address this question. Quantitative and qualitative information is summarized below.

Marketplace Conditions. As discussed in Chapter 5, Keen Independent examined conditions in the Hawaii marketplace, including:

- Entry and advancement;
- Business ownership;
- Access to capital, bonding and insurance; and
- Success of businesses.

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<sup>4</sup> See <http://www.dotcr.ost.dot.gov/Documents/Dbc/49CFRPART26.doc>

<sup>5</sup> 49 CFR Section 26.51.

<sup>6</sup> USDOT guidance suggests evaluating (a) certain DBE participation as prime contractors if the DBE contract goals did not affect utilization, (b) DBE participation as prime contractors and subcontractors for agency contracts without DBE goals, and (c) overall utilization for other state, local or private contracting where contract goals are not used.



There was quantitative evidence of disparities in outcomes for minority- and women-owned firms in general and for certain MBE/WBE groups concerning the above issues. Qualitative information indicated some evidence that discrimination may have been a factor in these outcomes.

HDOT reviewed the information about marketplace conditions presented in Chapter 5 and Appendices E through J of the Availability Study, as well as other information, when considering the extent to which it can meet its overall DBE goal through neutral measures.

Summary. The combined information from the marketplace and the disparity analysis indicates evidence of different outcomes for each group of minority-owned firms included in the Federal DBE Program: African American-; Hispanic American-; Asian Pacific American, Native Hawaiian and Pacific Islander-; Subcontinent Asian American-; and American Indian or Alaska Native-owned firms. There is also evidence that there is not a level playing field for women and women-owned firms in the Hawaii marketplace.

**2. What has been the Agency’s Past Experience in Meeting its Overall DBE Goal?** HDOT’s reported DBE participation based on DBE commitments/awards on FAA-funded contracts for Honolulu International Airport was lower than the goal of 24.40% for FFY 2013 through FFY 2018.

HDOT reported no DBE participation in FFY 2013 through FFY 2018 for Kahului Airport, and therefore, did not meet the goal of 21.70% in any of those years based on Uniform Reports.

**3. What has DBE Participation been when HDOT has not Applied DBE Contract Goals (or Other Race-conscious Remedies)?** To assess race-neutral DBE participation, HDOT examined recent race-neutral DBE participation in HDOT Uniform Reports. Per USDOT instructions, HDOT counts “neutral” participation as any prime contracts going to DBEs as well as subcontracts to DBEs beyond what was needed to meet DBE contract goals set for a project or that were otherwise awarded in a race-neutral manner.

As shown in Figure 10, HDOT’s Uniform Reports of DBE Awards/Commitments and Payments submitted to FAA for Honolulu International Airport for the last six federal fiscal years indicate a median race-neutral participation of 0.01%.<sup>7</sup>

HDOT reported no prime contract or subcontract awards or payments to DBEs in its FFYs 2013, 2014, 2015, 2016, 2017 and 2018 in Uniform Reports of DBE Awards or Commitments and Payments to FAA for Kahului Airport contracts. (Median DBE participation for Kahului Airport based on these data for these six years is 0.00%.)

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<sup>7</sup> 0.01% is the halfway point between the two “middle” pair of values for annual DBE participation: 0.02% in FFY 2013 and 0.00% in multiple fiscal years.

**Figure 10. Honolulu International Airport — HDOT-reported Race-neutral and Race-conscious DBE Participation on FAA-funded Contracts for FFY 2013–FFY 2018**

Federal fiscal year	DBE commitments/awards		
	Total	Race-neutral	Race-conscious
2013	0.02 %	0.02 %	0.00 %
2014	4.19	4.19	0.00
2015	2.19	2.19	0.00
2016	2.48	0.00	2.48
2017	0.00	0.00	1.37
2018	0.00	0.00	31.65

Source: HDOT Uniform Reports of DBE Awards/Commitments and Payments.

DBE participation on contracts without DBE contract goals. Keen Independent also analyzed DBE participation on HDOT’s FAA-funded contracts without DBE contract goals. HDOT achieved 13.34% DBE participation on these contracts from July 2011 through June 2016 for Honolulu Airport and 0.25% DBE participation for Kahului Airport.

DBE participation as prime contractors. Keen Independent analyzed DBE participation as prime contractors. DBEs obtained 7.88% of prime contract dollars on FAA-funded contracts for Honolulu International Airport and a null percentage for Kahului Airport contracts.

**4. What is the extent and effectiveness of race- and gender-neutral measures that the agency could have in place for the next fiscal year?** When determining the extent to which it could meet overall DBE goal through the use of neutral measures, HDOT reviewed the race- and gender-neutral measures that it and other organizations have in place, and those it has planned or might consider for future implementation.

HDOT has extensive efforts to assist DBEs and other small businesses through technical assistance and other means. There are many programs outside HDOT that also assist these businesses. Appendix H of the 2019 Availability Study report includes examples of these programs. HDOT and other agency business assistance will continue in the future.

**5. Should HDOT Project that it Can Meet All of its Overall DBE Goals through Neutral Means?** HDOT considered whether it can achieve 100% of its overall DBE goals through neutral means or whether race-conscious programs are needed. Such a determination depends in part on the level of the overall DBE goal. Since HDOT is proposing an overall DBE goal for FAA-funded contracts of 19.07% for Honolulu International Airport and 28.94% for Kahului Airport, the evidence presented here and in the 2019 Availability Study indicates that HDOT might not meet its DBE goal solely through neutral means.

HDOT considered the above information when reaching its decision on any use of race- and gender-conscious programs (such as DBE contract goals).

- There is information indicating disparities in outcomes for minorities and women and minority- and women-owned firms, and some qualitative evidence of discrimination within the Hawaii transportation contracting marketplace, as summarized in Chapter 5 of the Availability Study.
- Median DBE participation was 1.11% for FY 2013 through FY 2018 for Honolulu International Airport and 0.00% for Kahului Airport.
- The median race-neutral portion of HDOT’s DBE participation was in the range of 0.01–4.19% for Honolulu International Airport and 0.00% for Kahului Airport for FFY 2013 through FFY 2018.

Based on the data above, HDOT proposes a race-neutral projection of 0.01 percentage points for Honolulu Airport overall DBE goal for FFY 2020 through FFY 2022 and a race-neutral projection of 0.00 percentage points for the Kahului Airport overall DBE goal.

Honolulu International Airport. As shown below, the first column Figure 11 presents recent projections for a neutral and race-conscious split when HDOT prepared its overall DBE goal.

The second column of numbers in Figure 11 is an example of projections using an overall DBE goal of 19.07% and a 0.01 percentage point projection for race-neutral for FFY 2020 through FFY 2022. The race-conscious portion of the goal is 19.06 percentage points (19.07% - 0.01% = 19.06%).

**Figure 11. Honolulu International Airport — Current HDOT Overall DBE Goal and Race-neutral and -conscious Projections for FAA-funded Contracts for FFY 2020 through FFY 2022**

Component of overall DBE goal	FFY 2017-FFY 2019	FFY 2020-FFY 2022
Overall goal	24.40 %	19.07 %
Neutral projection	- 4.19	- 0.01
Race-conscious projection	20.21 %	19.06 %

Source: Keen Independent 2019 Availability Study (Chapter 7, page 11).

As shown, a 19.06 percentage point projection of DBE participation through race-conscious measures is below the 20.21 percentage point race-conscious projection developed in fall 2017.

Kahului Airport. As shown below, the first column of Figure 12 presents recent projections for a neutral and race-conscious split when HDOT prepared its overall DBE goal.

The second column of numbers in Figure 12 is an example of projections using an overall DBE goal of 28.94% and a 0.00 percentage point race-neutral projection for FFY 2020 through FFY 2022. The race-conscious portion of the goal is 28.94 percentage points (28.94% - 0.00% = 28.94%).

**Figure 12. Kahului Airport — Current HDOT Overall DBE Goal and Race-neutral and -conscious Projections for FAA-funded Contracts for FFY 2020 through FFY 2022**

Component of overall DBE goal	FFY 2017-FFY 2019	FFY 2020-FFY 2022
Overall goal	21.70 %	28.94 %
Neutral projection	- <u>11.00</u>	- <u>0.00</u>
Race-conscious projection	10.70 %	28.94 %

Source: Keen Independent 2019 Availability Study (Chapter 7, page 12).

As shown, a 28.94 percentage point projection of DBE participation through race-conscious measures is above the 10.70 percentage point race-conscious projection developed in fall 2017.

#### IV. Summary

**Honolulu Airport Summary.** Based on the results summarized in this document, HDOT proposes a 19.07% DBE goal on FAA-funded contracts for FFYs 2020 through 2022. HDOT estimates 0.01% of the overall goal can be achieved through race- and gender-neutral (RN) participation and 19.06% will need to be met through the use of race- and gender-conscious (RC) contract goals.

**Kahului Airport Summary.** Based on the results of the 2019 Availability Study summarized in this document, HDOT proposes a 28.94% DBE goal on FAA-funded contracts at Kahului Airport for FFYs 2020 through 2022. HDOT estimates 28.94% will need to be met through the use of race- and gender-conscious (RC) contract goals and 0.00% percentage of the overall goal can be achieved through race- and gender-neutral (RN) participation.

The full Availability and Disparity Study report will have complete results about the use of minority- and women-owned firms, by racial, ethnic and gender group, in HDOT FAA-funded transportation contracts. The report is projected to be completed in fall 2019. HDOT might refine the analyses in this Goal and Methodology Document after receiving the Availability and Disparity Study report.

## **V. Public Participation — 49 CFR Section 26.45(g) and 26.15(b)(1)**

HDOT and Keen Independent implemented an extensive public participation process as part of the 2019 Availability Study and will continue to request public input regarding the Availability Study's findings as well as the FAA DBE goal.

**Opportunity to Comment.** During the Availability Study, HDOT and the study team provided substantial opportunities for the public to provide information that might contribute to the Study's findings. These activities include:

- An External Stakeholder Group that met with HDOT and the study team at key junctures of the study process.
- A study website that posted information from the beginning of the study.
- A telephone hotline and dedicated email address for anyone wishing to comment.
- Opportunities for company owners and managers to provide information about their businesses and any perceived barriers in the marketplace. Keen Independent reached thousands of businesses through online surveys and telephone surveys conducted in 2018.
- In-depth personal interviews and focus groups with business owners, trade associations and others throughout the state.

Through these methods, Keen Independent reviewed input from more than 170 businesses and other groups across Hawaii, which is summarized in the 2019 Availability Study.

### **Public Comment Process for the 2019 Availability Study Report and HDOT DBE Goal.**

Keen Independent published a draft Availability Study report for public comment. Public comments concerning the report as well as HDOT's proposed overall DBE goal will be made from late June to late July 2019. The public will be able to give feedback at the meetings listed below and provide written comments (a) in person at the meetings, (b) online at <https://www.keenindependent.com/hdotdisparitystudy2019/>, (c) via email at [HDOTdisparitystudy2019@keenindependent.com](mailto:HDOTdisparitystudy2019@keenindependent.com) or (d) through regular mail to HDOT Office of Civil Rights, 200 Rodgers Boulevard, Honolulu, HI 96819.

HDOT will hold four public meetings concerning the study and HDOT's proposed DBE goal. All meetings will be held from 9 am to 11 am with the last part of each meeting reserved for a focus group discussion of marketplace conditions and the DBE Program.

Tuesday, July 9	Wednesday, July 10	Thursday, July 11	Friday, July 12
Oahu	Maui	Kauai	Hawaii Island
Daniel K. Inouye International Airport, Inter-island Terminal 7th floor, Conference room 400 Rodgers Boulevard Honolulu, HI 96819	Highways Division Maui District Office 650 Palapala Drive Kahului, HI 96732	Highways Division Kauai District Office 1720 Haleukana Street Lihue, HI 96766	Highways Division Hawaii District Office 50 Makaala Street Hilo, HI 96720

HDOT will also review this information before formally submitting its proposed overall DBE goal calculation to FAA in August 2019.

**Notice of Proposed Goal.** HDOT will publish a notice of its proposed overall goal on its [Office of Civil Rights](#) and [DBE Program](#) web pages and [DBE Disparity Study](#) website. The agency will also implement additional methods of publishing its proposed overall goal.