

## **SECTION ES.**

### **Executive Summary**

The California Department of Transportation (Caltrans) must implement the Federal Disadvantaged Business Enterprise (DBE) Program in order to receive U.S. Department of Transportation (USDOT) funds. Recent legal decisions and guidance from USDOT have led Caltrans to reexamine how it implements the Program. Caltrans retained BBC Research & Consulting (BBC) to conduct an Availability and Disparity Study to assist Caltrans in its implementation of the Federal DBE Program.

The Interim Report provides preliminary analysis related to relative availability of DBEs to perform transportation construction and engineering contracts. The Final Report, scheduled for June 2007, will address issues in Figure ES-1.

#### **Information in the Interim Report**

The Interim Report contains preliminary information produced from the following research:

1. BBC developed a database of firms available to perform specific types of transportation construction and engineering work in different parts of the state. BBC started with a list of California business establishments identified by Dun & Bradstreet. The BBC study team interviewed 18,675 firms concerning their qualifications and interest in Caltrans and local government projects.
2. BBC developed a database of more than 10,000 prime contracts and subcontracts for Caltrans and local agency projects from 2002 through 2006.
3. BBC is examining whether there are barriers to entry and other factors that may have impacted opportunities for minorities and women to form construction and engineering businesses in California.

#### **Figure ES-1. Factors for Caltrans to consider when implementing the Federal DBE Program**

**1. What is the overall DBE goal?** BBC is providing Caltrans information to consider as it sets an annual goal for DBE participation in federally-funded contracts, including contracts awarded by local agencies that receive federal funds through Caltrans.

**2. How much of the overall DBE goal can be achieved through neutral measures?** Disparity Study information can be used by Caltrans as it considers whether it will continue to utilize only race- and gender-neutral measures or whether some race- and gender-based measures (such as DBE contract goals) are also needed.

**3. What specific measures are needed to implement the Federal DBE Program?** BBC will identify measures for Caltrans to consider in implementation of the program.

Among firms surveyed by BBC for the availability analysis, 3,398 indicated that they perform work related to transportation construction and engineering, were qualified and interested in future work with Caltrans or local governments, and had made past attempts to obtain this work. In BBC's analysis, this subset of firms is "available" for specific types and locations of future prime contracts and subcontracts. About 32 percent of these firms reported that they were minority- or women-owned (see Figure ES-2). In BBC's analysis, 230, or 6.8 percent, of these 3,398 firms were DBE certified as of 2006. Fewer than one-in-four minority- and women-owned firms available for transportation construction and engineering work are DBE certified.

As BBC continues the Availability and Disparity Study, it will consider various factors that may have impacted the relative number of minority- and women-owned firms currently available for work related to transportation construction and engineering. Some of the preliminary information concerning potential barriers to entry into the construction and engineering industries is summarized in Figure ES-3. BBC will review these and other factors in the Final Report. The Final Report will also include analysis of why many minority- and women-owned firms are not currently certified as DBEs. The Final Report findings will assist Caltrans in establishing an overall DBE goal.

### Initial Recommendations

BBC recommends Caltrans change how it collects and maintains data on firms seeking and receiving work on Caltrans and local agency projects. Improvements include a new bidders list and better information on firms receiving subcontracts.

**Figure ES-2.**  
**MBE/WBEs as a share of firms available for future transportation contracting work**



Note: Unweighted. Preliminary results, subject to refinement.  
 Source: BBC Research and Consulting from 2006 Availability Survey.

**Figure ES-3.**  
**Preliminary information concerning barriers to entry into the construction and engineering industries**

- Low number of African Americans and Hispanic Americans attending college and enrolled in engineering programs.
- Low representation of African Americans and women in the construction industry.
- Limited advancement of Hispanic Americans to certain construction trades and first-line supervisor positions.
- Low number of African Americans, Hispanic Americans and women working as managers in the construction industry.
- Low rates of business ownership for African Americans, Hispanic Americans, Subcontinent Asian Americans and women working in construction.
- Low rates of business ownership for African Americans, Asian-Pacific Americans, Hispanic Americans and women working in the engineering industry.
- Low homeownership rates and high mortgage loan denial rates for African Americans, Hispanic Americans and Native Americans. (Home equity is an important source of capital for business.)
- High denial rates for business loans for African Americans, Asian Americans and Hispanic Americans.

## Additional Questions to be Analyzed in the Final Report

Figure ES-4 illustrates the process for completing the Final Report. BBC will analyze whether there are disparities between actual utilization of minority- and women-owned firms and what would be expected based on relative availability to perform this work. The study team will also review qualitative information gathered from in-depth interviews with business owners and testimony given at Caltrans' public hearings planned for spring 2007. BBC will then provide pertinent information to assist Caltrans in determining future implementation of the federal DBE Program.

**Figure ES-4.**  
**Additional analyses to prepare the Final Report**

