

December 24, 2024

Subject: FY 2024 FHWA Shortfall Analysis and Corrective Action Plan

The Montana Department of Transportation's (MDT) DBE goal for Fiscal Years (FY) 2023-2025 is 6.3%, which was projected to be met through solely race neutral measures. In FY 2024, MDT achieved 4.6% DBE participation through commitments and awards to DBE firms. MDT's race neutral and overall DBE participation shortfall for FY 2024 is 1.7%.

MDT conducted detailed analyses to determine the reasons for the shortfall and identified two factors impacting MDT's DBE participation in FY 2024:

- Eligible firms not participating in the program
 - If five potentially eligible firms were certified, DBE participation for the year would have increased by 0.5% to 5.1%.
- Successful DBEs exiting the program
 - Including participation from a single DBE that graduated in FY 2021 would have increased utilization for FY 2024 to 6.2%. MDT has a track record of helping certified firms compete successfully without participation in the DBE Program. As described in the bullets below, MDT's efforts to remove barriers and help DBEs break into the market are proving fruitful, but building DBE capacity to account for successful DBEs exiting the program takes time.
 - Of the 20 DBE firms that were awarded contracts in FY 2024, half did not get a contract in the prior year. Of those, six had never received an MDT contract before.
 - The number of DBE firms working on MDT projects in FY 2024 increased by 5%, and the number of DBE firms that received a prime contract increased by nearly 30% compared to the previous year.
 - So far in FY 2025, two DBE firms have been awarded their first ever contract with MDT and one of the firms that received their first contract in FY 2024 has already been awarded a second contract in FY 2025.
 - In FY 2024, Native American owned DBEs (a significantly underutilized group according to MDT's 2022 Disparity Study) achieved 0.5% participation compared to no participation in the previous year.

The increases in DBE participation over the last year can, in part, be attributed to MDT implementing the following measures:

- SBE Goals
 - In April 2024, MDT began setting small SBE goals on large projects.
- Networking events
 - MDT hosted its first year of district specific networking events in FY 2024. The events were successful. DBEs and other small businesses had the opportunity

to build relationships with prime contractors. Primes were incentivized to attend because they were given additional contract time on large projects. Contractors also learned about upcoming projects within the district including local government, airport, highway, and transit opportunities.

- Pre-qualification process
 - MDT ended the pre-qualification process for consultant design contracts in June 2024 to allow small firms and those who have not worked with MDT before to compete for these solicitations rather than short-listing the same handful of firms on a multitude of projects.
- Training
 - MDT hosted three “You Got the Job, Now What?” trainings in FY 2024 to help contractors that are new to MDT projects to understand the requirements necessary to complete the work.

MDT plans to continue and expand these efforts as outlined below to address the shortfall factors identified and ensure the DBE goal is met going forward.

Helping New Businesses Break into the Market

Networking events are gaining momentum as MDT hosts the events for the second year. MDT will expand these events with more participation from local governments, airports, and transit providers to ensure it is worth the effort for small businesses to participate. Prime contractors will continue to receive extra contract time for their participation.

SBE Goals

In FY 2025, MDT will set larger goals on more projects. In Montana, all DBEs are automatically enrolled in the SBE Program, so increasing SBE participation also increases opportunities for DBEs.

Increasing Participation on Alternative Delivery Contracting

Civil Rights staff continue to work with MDT’s Alternative Delivery Section to develop procedures to increase DBE participation on alternative contracting. The SBE goals mentioned above will also be increased on projects using these delivery methods.

Training

In FY 2025, You Got the Job, Now What training will be provided in the two districts that did not host a training last year.

Rather than providing generic trainings throughout the state on topics like social media and Quickbooks, MDT’s DBE Supportive Services has shifted its approach to individualized trainings. DBE Program staff work with certified firms to establish their needs and put them in touch with appropriate MDT staff, State of Montana staff, and other resources to accomplish their goals. For instance, DBE Specialists show businesses where to find job opportunities in their specific line of work, refer businesses to their APEX Accelerator counselor to develop a capabilities statement, and reimburse DBE firms for technical training necessary to successfully compete on MDT projects.

Recruitment of DBEs

The new bidders list requirement gives MDT more information at the time of bid, so staff are able to reach out to firms that are potentially eligible for the DBE Program to encourage them to apply.

Since the DBE Final Rule went into effect, MDT has seen a substantial increase in interstate certifications. With its individualized approach to supportive services, DBE staff hope to assist these firms and translate increased certifications into increased DBE participation.

MDT relies on partnerships for in-state business referrals. Small Business Program staff will participate in meetings with resource partners to ensure business counselors in local communities understand the eligibility criteria and benefits of MDT's small business programs including Montana APEX Accelerators, the Montana Department of Commerce's Small Business Development Centers and Native American Business Advisors, the Montana Department of Labor's small business programs, the Native American Development Corporation, Women's Business Centers, other local economic development agencies, while continuing to seek out new partnerships.

Disparity Study

MDT's 2022 Disparity Study analyzed data from FY 2016 – 2020. The results showed that white women and Subcontinent Asian owned businesses were overutilized in MDT's highway market. As that data reaches the end of its useful life, MDT plans to initiate a new study to evaluate data from FY 2021 – 2025. The study will inform MDT's decisions about the best path to meet its DBE goal going forward.

Summary

Many of the interventions that MDT proposed in its 2023 Shortfall Analysis & Corrective Action plan were implemented part way through FY 2024. MDT achieved significantly higher DBE participation in the second half of FY 2024 suggesting these interventions increased participation. MDT continues to foster innovative solutions to DBE business development and participation. If you have any questions, concerns, or suggestions regarding MDT's efforts, please contact me.

Sincerely,

Maghan Strachan
Civil Rights Program Supervisor