Assessing Opportunities to Increase Subcontractor Participation in SCDOT’s Disadvantaged Business Enterprise Program

SCDOT
CERTIFIED PROGRAM MANAGER CLASS 2017
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Problem Statement

The SCDOT Unified Certification Program (UCP) has approximately 800 firms (250 performing highway construction) certified as Disadvantaged Business Enterprises (DBE). This number has been virtually the same for over nine years and does not meet current agency demands. Even through SCDOT’s strategic plan includes the development of opportunities “Enhancing a Strengthening Economy” (SCDOT Strategic Plan, 2016), it appears current efforts to locate a larger pool of small businesses in highway construction that are eligible for the DBE program has not been very successful. Assessing the current processes and identifying improvements through surveys and interviews, and comparing those responses with current practices should help identify why this problem exists and possible remedies with a desire to increase the number certified firms involved in highway construction by approximately 20%.

Background

The US Department of Transportation's DBE program is designed to remedy ongoing discrimination and the continuing effects of past discrimination in federally-assisted highway, transit, airport, and highway safety financial assistance transportation contracting markets nationwide. The primary remedial goal and objective of the DBE program is to level the playing field by providing small businesses owned and controlled by socially and economically disadvantaged individuals a fair opportunity to compete for federally funded transportation contracts (USDOT DBE Program, November 2016). One purpose of SCDOT’s DBE Program is to assist potential highway construction contractors in their efforts to identify and utilize DBEs that are participating in the Department's DBE Program. Certification is granted through the Department as verification that a business is bona-fide in its claim to be a disadvantaged business enterprise. Certified firms are used to meet goals on federally assisted contracts. SCDOT is
required to provide a list of certified contractors to firms bidding on contracts who in turn, agree to utilize certified minority and women owned businesses on construction projects throughout the state (SCDOT Business Development & Special Programs, 2016).

**Current Process**

SCDOT conducts or participates in approximately 25 “out-reach” events each year meeting 10-200 small businesses per event throughout the state. These events are advertised through various media publications, Unified Certification Program (UCP) partners, and local community outlets geared towards minority and women owned businesses. Other than advertising these out-reach events, very little advertising to promote the DBE program has been conducted.

**Data Collection**

Review of historical data maintained by SCDOT disclosed that from 2007 to 2016 an average of 794 firms were certified at any given time; the number of firms certified ranged from a low of 712 to a high of 894, which occurred in 2010 (Office of Business Affairs & Special Programs Archives, 2007-2016). Available work on road, bridge, and highway construction has nearly doubled in the past three years (DBE Reporting Unit, January 30, 2017) while the number of available certified DBE firms has not increased significantly, thus not meeting the demand.

![Certified DBE Firms](image)

**DBE AWARDS/COMMITMENTS**

<table>
<thead>
<tr>
<th>Amount</th>
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<tbody>
<tr>
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<td>13.4%</td>
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<tr>
<td>$10,000,000</td>
<td>13.4%</td>
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Average of 794 firms certified

Nearly 50% increase
To identify a “root cause,” the following methods were used to collect data:

- Surveys containing five basic questions were forwarded to each of the fifty Departments of Transportation throughout the United States.
- Telephone surveys were conducted with various State agencies and contractor associations who directly interact with, train, and assist small businesses in South Carolina.
- Interviews of Departmental officials within SCDOT and United States Department of Transportation.

Five specific questions were asked:

1. Are you familiar with the DBE program?
2. How does your agency/organization reach out to your clients, members, etc.?
3. What advertising avenues does your agency use to highlight your programs, i.e. specific news agencies, magazines, internal publications, etc.?
4. Would you provide an opinion as to why you think firms eligible for DBE certification have not applied?
5. Can you provide any suggestions on how we can reach out to potential firms?

Data Analysis

Of the 71 individuals contacted, 18 responded for a 25% response rate. Respondents provided individual opinions and observations based on their involvement in the DBE program as a contractor, subcontractor, DBE Certification Analyst, association leader, or government employee. Based on the data collected, the following key areas were identified as significant
causes for the lack of any significant increase in the number of firms applying for the DBE program. Collectively, the following data indicated firms eligible to apply for DBE certification:

- Were unaware of the program
- Felt the application process was too intrusive and complicated
- Believe there is no value in participating in the DBE program
- Presume there is a "stigma" associated with being certified as a disadvantaged business

While the application process is governed by Federal law and cannot be altered, promoting the positive values of the program can overcome concerns of the application process and perceived stigma.

The study revealed an interesting observation. It indicated a number of industry related associations, established to assist contractors/subcontractors with identifying opportunities for their members, were not aware of the DBE program or the value of the program. In addition, seven areas were identified as potential avenues to advertise the DBE program, specifically:

- News articles and Public Service Announcements (versus paid advertisements);
- Local media outlets catering specifically to minority and women owned business;
- Radio station talk shows that cater to minority and women owned business;
- Digital advertisements located in Department of Motor Vehicles (SCDMV) Offices;
- Hosting informational events for industry association leaders;
- Hosting informational events for elected state representatives; and
- Direct mail to firms registered as vendors through the South Carolina State Fiscal Accountability Authority Procurement Services (SFAA).

**Estimated Costs**

- Radio advertisement – example in Richland County - $4,000 for 2 months
• Radio and Television talk shows specific to minority communities – no cost
• SCDMV digital advertisement - $300-$400 per month per each location
• Statewide bill board advertising as a PSA – no cost
• Developing marketing materials accomplished in-house – no cost
• Printing various marketing material – $5,000
• Host three training events for association leaders - $1,200
• Public Service news articles – statewide – no cost
• Postcard development – no cost
• Direct mail postcards mailing costs – $340 per 1000

Implementation Plan

Simply put, the implementation plan needs to be focused on education and getting the word out. An advertisement campaign that is easy to understand and uses plain language while quickly capturing the targeted audience would be the most effective approach. Such a campaign would include basic one page flyers, tri-fold brochures, and multi-media advertisements detailing the benefits of becoming a DBE firm. It would need to be easily reproducible, adaptable to various mediums, and cost effective to create and maintain. Additionally, an essential component would be establishing briefing sessions with elected state representatives, similar state agencies, and industry association leaders. Possible obstacles include funding, costs, and manpower. Teaming with UCP partners and Federal Highway Administration would be a viable option to overcome these obstacles.

Phase I (March 2017)

• Establish a projected budget; identify available funding
• Convene a focus group to assess the best options to implement
• Coordinate with SCDOT's senior leadership for approval

Phase II (April- May 2017)

• Develop an advertisement campaign creating materials that clearly articulates the value and opportunities afforded by the DBE program
• Identify appropriate media outlets to utilize
• Collaborate with various DBE program administrators and resource providers at the local, state, and federal levels
• Coordinate with industry leaders to ensure the message written “in their language” appeals to the targeted audience
• Finalize funding requirements

Phase III (June – September 2017)

• Launch an advertisement campaign using the various media outlets identified
• Conduct informational meetings with the various industry association leaders
• Provide educational materials and in-person discussions with elected state officials

Research Results

The research conducted found consistent and clear evidence that “getting the word out” is needed. Information gathered from various Departments of Transportation, business owners involved in road, bridge, and highway construction, and industry associations overwhelmingly indicated three factors that have led to eligible firms not applying for DBE certification. Firstly, 80% of those interviewed felt most eligible firms did not know of the DBE program. This was confirmed during a random query of eight businesses and association leaders that they had never heard of the DBE program. Secondly, firms who knew of the program were reluctant to apply because of the “lengthy” and daunting application process. Thirdly, firms did not see the value of
being certified as a DBE. Additionally, there has not been any formal or informal recruitment of eligible firms, outside of outreach events, encouraging them to apply. While the Department participates in over 25 outreach events annually for small minority and women owned businesses each year, there has not been any significant increase in the number of firms applying for certification.

**Evaluation Method**

A two-part evaluation method would be used to assess the effectiveness of these efforts. Based on the results of this research, coupled with a clearly defined outcome, counting the increase in the number of certified DBE firms will provide the best evaluation method. In addition, a spreadsheet will be used to collect data identifying the most effective method of recruiting for future efforts.

**Sample Data Collection Spreadsheet**

<table>
<thead>
<tr>
<th>Date received</th>
<th>Firm’s Name</th>
<th>County</th>
<th>How did firm learn of program</th>
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**Recommendations**

In an effort to reach the desired goal of increasing the number of firms certified as DBEs by 20%, an aggressive multi-prong recruitment effort is recommended. Taking costs into consideration, an educational advertisement and marketing plan needs to be implemented. The first step is the development of marketing materials that are concise, written in plain language, and encourage firms to seek further information and apply for DBE certification. Specifically, the following must occur:
• Develop an eye catching logo and slogan;
• Create marketing materials for various mediums from digital to newsprint;
• Establish an educational briefing targeted towards elected officials and industry associations who can in turn recruit their constituents and members;
• Advertise the DBE program across the state;
• Direct emails through the various state agencies and industry associations; and
• Issue news articles for publication through SCDOT’s Communication Office.
• Establish a “DBE Help Desk” to assist firms with applying for certification

Summary

SCDOT maintains the fourth-largest, state-maintained highway system in the nation, comprised of 41,460 center line miles and 8,357 bridges. SCDOT’s primary statutory responsibility is the maintenance and operation of the state highway system (SCDOT Mission Statement, 2016). In order to build and maintain these roads, bridges, and highways, a significant number of contractors and subcontractors are needed to meet an ever increasing need. To ensure funding through the Federal Highway Administration, the inclusion of the DBE program is mandated under Code of Federal Regulations Part 49 subpart 26. Without a sufficient number of firms certified as DBEs to meet the demand, SCDOT risks losing funding. Currently, SCDOT is required to spend 12.5% of Federal funds employing DBE firms on federally funded construction projects. During the past three years, SCDOT has met the requirement except in FY2016, due in part to a significant increase in road, bridge, and highway construction with no significant increase in the number of DBE certified firms. Creating and implementing a multi-prong approach to recruiting eligible firms is critical to continued Federal funding.
References


