

FEDERAL DISADVANTAGED BUSINESS ENTERPRISE (DBE) PROGRAM PROPOSED OVERALL GOAL & METHODOLOGY FOR FEDERAL FISCAL YEARS 2021 and 2022

Sound Transit must establish a new overall goal for the participation of Disadvantaged Business Enterprises (DBEs) in Federal Transit Administration- (FTA-) funded contracts and procurements that it anticipates awarding in federal fiscal years (FFYs) 2021 and 2022.¹ The agency last set an overall DBE goal of 16.1 percent for FFYs 2017, 2018, and 2019. FTA approved an extension of the goal for FFY 2020 until Sound Transit completed a disparity study, which the agency has now done. In accordance with 49 Code of Federal Regulations (CFR) Part 26, United States Department of Transportation (USDOT) guidance, and relevant case law, this document presents Sound Transit's new proposed overall DBE goal and the methodology that the agency used to calculate it.

A. Overall DBE Goal

Sound Transit based its new overall DBE goal on results from an availability analysis that BBC Research & Consulting (BBC) conducted as part of a comprehensive disparity study (referred to herein as the 2020 Disparity Study); information about projects the agency anticipates awarding in FFYs 2021 and 2022; and information about current marketplace conditions for minorities, women, and minority- and woman-owned businesses.² The 2020 Disparity Study is included with this document as Appendix A. The agency has followed the required two-step goal-setting methodology to develop its new goal: 1) establish a base figure; and 2) consider whether a step 2 adjustment to the base figure is appropriate.

1. Base figure. Sound Transit began setting a new overall DBE goal by establishing a base figure, which was informed by results from the availability analysis that BBC conducted as part of the 2020 Disparity Study. Consistent with federal guidance and relevant case law, BBC calculated a base figure by estimating the availability of *potential DBEs*—that is, minority- and woman-owned businesses that are DBE-certified or appear they could be DBE-certified according to revenue requirements specified in 49 CFR Part 26.65—for FTA-funded projects that Sound Transit anticipates awarding in FFYs 2021 and 2022. Figure 1 presents a list of those projects, which Sound Transit and BBC disaggregated into 453 anticipated prime contract and subcontract elements.

a. Methodology. As part of the 2020 Disparity Study, BBC conducted a *custom census* availability analysis that focused on the specific areas of work (i.e., subindustries) related to the FTA-funded construction, architecture and engineering, other professional services, and goods and services prime contracts and subcontracts that Sound Transit awards. BBC began the analysis by identifying the specific subindustries in which Sound Transit spends the majority of its contracting dollars and the geographic area in which the majority of the businesses that perform

¹ Sound Transit defines an FTA-funded contract or procurement as any contract or procurement that includes at least \$1 of FTA funding.

² Woman-owned businesses refer specifically to businesses owned by non-Hispanic white woman-owned businesses. Minority woman-owned businesses were classified along with their corresponding racial/ethnic groups.

work for the agency are located, which BBC identified as King, Pierce, and Snohomish Counties in Washington (referred to as the *relevant geographic market area, or RGMA*).

Once BBC identified the relevant subindustries and geographic market area, the study team conducted surveys to develop a representative, unbiased, and statistically valid database of potentially available businesses located in the RGMA that perform work within relevant subindustries. The objective of the availability survey was not to collect information from each and every relevant business operating in the local marketplace. Instead, it was to collect information from an unbiased subset of the business population that appropriately represents the entire relevant business population operating in the region.

Figure 1.
Projects Sound Transit anticipates awarding in FFYs 2021 and 2022

| Project | Estimated cost |
|---|-------------------------|
| Federal Way Link Extension Design Build F200 | \$ 514,080,000 |
| Downtown Redmond Link Extension (DRLE) Design-Build- Construction Services | \$ 266,309,885 |
| Northlink and Eastlink Systems N830/E750 | \$ 81,817,852 |
| Hilltop Link Extension T100 | \$ 43,318,000 |
| Lynnwood Link Extension Design Build L200 | \$ 35,258,903 |
| Design-Build Project Management Services for Federal Way Link Extension | \$ 31,775,696 |
| Lynnwood Link Extension Construction L300 | \$ 22,754,652 |
| Lynnwood CMC | \$ 20,777,375 |
| Architecture and Engineering Services Federal Way to Tacoma Dome Link Extension | \$ 15,016,971 |
| Contract for On-Call Architecture and Engineering Consultant Services | \$ 8,684,091 |
| Northgate Link Extension Construction Management | \$ 3,964,942 |
| Lynnwood Link Preconstruction Systems L800 | \$ 267,639 |
| Total | \$ 1,044,026,007 |

Source: Sound Transit.

i. Availability surveys. BBC conducted telephone and online surveys to identify businesses that are potentially available for relevant Sound Transit prime contracts and subcontracts. The study team began the survey process by compiling a comprehensive and unbiased phone book of relevant businesses of all ownership types—that is, not only minority- and woman-owned businesses—located in the RGMA and perform work in relevant subindustries. BBC developed the phone book based primarily on information from Dun & Bradstreet (D&B) Marketplace listings, which is accepted as the most comprehensive and unbiased source of business listings in the nation. The study team collected information from business establishments listed under 8-digit work specialization codes that were most related to the contracts that Sound Transit anticipates awarding in FFYs 2021 and 2022.

Survey information. BBC used availability surveys to collect key information about relevant businesses, including:

- Status as private businesses (as opposed to nonprofit organizations);
- Status as subsidiaries or branches of other companies;

- Primary lines of work;
- Roles as contractors (i.e., prime contractors, subcontractors, or both);
- Interest in performing work for Sound Transit;
- Largest prime contracts or subcontracts bid on or performed in the previous five years; and
- Race/ethnicity and gender of their owners.

Potentially available businesses. BBC considered businesses to be potentially available for Sound Transit work if they reported possessing all of the following characteristics:

- Being a private sector business;
- Working in subindustries relevant to Sound Transit’s contracts and procurements;
- Having bid on or performed relevant work in the past five years; and
- Being interested in participating in Sound Transit contracts or procurements.

BBC also considered the following information about businesses to determine if they were potentially available for specific prime contracts or subcontracts that Sound Transit anticipates awarding in FFY 2021 and 2022:

- The roles in which they work (i.e., prime contractors, subcontractors, or both); and
- The largest contracts they bid on or performed in the past five years.

ii. Availability database. Five hundred forty-seven businesses completed availability surveys, and based on their characteristics, BBC considered 432 of them as potentially available to perform work on the specific construction, architecture and engineering, other professional services, and goods and services contracts and procurements that Sound Transit anticipates awarding in FFY 2021 and 2022. Of those 432 businesses, 26.2 percent were minority- or woman-owned, which reflects a simple count of businesses with no analysis of their availability for specific Sound Transit contracts or procurements.

iii. Availability calculations. BBC analyzed information from the availability database to develop estimates of the availability of minority- and woman-owned businesses for the contracts and procurements that Sound Transit anticipates awarding in FFYs 2021 and 2022. The estimates represent the percentage of dollars that minority- and woman-owned businesses would be expected to receive based on their characteristics and characteristics of the prime contracts and subcontracts that Sound Transit anticipates awarding. Only a portion of the businesses in the availability database was considered potentially available for any given prime contract or subcontract (referred to generally as a *contract element*). BBC identified specific characteristics of each contract element—including type of work and contract size—and then took the following steps to calculate the availability of minority- and woman-owned businesses for each one:

1. For each contract element, BBC identified businesses in the availability database that reported that they:

- Are interested in performing work in that particular role for that specific type of work for Sound Transit;
 - Are able to serve customers in the geographical area where the work took place; and
 - Have bid on or performed work of that size in the past five years.
2. BBC then counted the number of minority-owned businesses, woman-owned businesses, and businesses owned by non-Hispanic white men in the availability database that met the criteria specified in Step 1.
 3. BBC translated the numeric availability of businesses for the contract element into percentage availability.

BBC multiplied the percentage availability for each contract element by the dollars associated with the contract element, added results across all contract elements, and divided by the total dollars for all contract elements. The result was dollar-weighted estimates of the availability of minority- and woman-owned businesses for Sound Transit work, both overall and separately for each racial/ethnic and gender group specified in 49 CFR Part 26.

b. Results. To calculate the base figure, BBC used the general methodology described above to estimate availability for the FTA-funded prime contracts and subcontracts that Sound Transit anticipates awarding in FFYs 2021 and 2022. However, the analysis was limited to only potential DBEs: minority- and woman-owned businesses that are DBE-certified or appear they could be DBE-certified according to revenue requirements specified in 49 CFR Part 26.65. Figure 2 presents the following information about the base figure:

- Column (a) presents the groups of potential DBEs that BBC considered in the analysis;
- Column (b) presents the availability for each group for construction contract elements;
- Column (c) presents the availability for each group for architecture and engineering contract elements;
- Column (d) presents the availability for each group for other professional services contract elements;
- Column (e) presents the availability for each group for goods and services contract elements; and
- Column (f) presents the availability for each group for all FTA-funded contract elements considered together.

As presented at the bottom of column (f), the availability analysis indicated that potential DBEs are available for 7.5 percent of the FTA-funded prime contracts and subcontracts that Sound Transit anticipates awarding in FFYs 2021 and 2022. In accordance with that analysis, Sound Transit considers **7.5 percent** as its base figure.

Figure 2.
Availability of potential DBEs for FTA-funded contracts and procurements that Sound Transit anticipates awarding in FFYs 2021 and 2022

| a. Potential DBE group | Industry component | | | | f. Total |
|-----------------------------------|--------------------|---------------------------------|--------------------------------|-----------------------|--------------|
| | b. Construction | c. Architecture and engineering | d. Other Professional Services | e. Goods and Services | |
| Non-Hispanic white woman-owned | 1.5 % | 3.1 % | 1.1 % | 0.2 % | 2.1 % |
| Asian Pacific American-owned | 0.7 % | 0.3 % | 1.3 % | 0.4 % | 0.6 % |
| Black American-owned | 0.5 % | 1.8 % | 2.5 % | 0.4 % | 1.1 % |
| Hispanic American-owned | 2.8 % | 0.0 % | 0.0 % | 1.8 % | 1.5 % |
| Native American-owned | 4.1 % | 0.0 % | 0.2 % | 0.3 % | 2.2 % |
| Subcontinent Asian American-owned | 0.1 % | 0.1 % | 0.0 % | 0.0 % | 0.1 % |
| Total minority-owned | 8.2 % | 2.2 % | 4.0 % | 2.9 % | 5.4 % |
| Total potential DBEs | 9.7 % | 5.3 % | 5.1 % | 3.1 % | 7.5 % |

Notes: Numbers rounded to nearest tenth of 1 percent and thus may not sum exactly to totals.
 BBC applied the following weights to availability within each industry to calculate total availability: construction = 0.52, architecture and engineering = 0.42, other professional services = 0.04, and goods and services = 0.02. The weights were based on the proportion of total FTA-funded contracting dollars for which each industry is anticipated to account during the time period that the new goal will cover.

Source: BBC availability analysis.

2. Step 2 adjustment considerations. After establishing the base figure, Sound Transit considered relevant information to determine whether any adjustment was needed to ensure that its new overall DBE goal is precise and reflects current conditions in the local marketplace for minorities, women, and minority- and woman-owned businesses. In considering an adjustment to the base figure, the agency evaluated information about:

- a. Current capacity of DBEs to perform agency work;
- b. Information related to employment, self-employment, education, training, and unions;
- c. Disparities in the ability of DBEs to access financing, bonding, and insurance; and
- d. Other factors.³

Sound Transit considered the above information in considering whether to make a step 2 adjustment, all of which suggested an **upward adjustment** is appropriate.

a. Current capacity of DBEs to perform agency work. USDOT’s “Tips for Goal-Setting” suggests that agencies should examine data on past DBE participation in their USDOT-funded contracts in recent years to determine whether adjustments to their base figures are necessary. USDOT further suggests that an agency should take the median level of annual DBE participation for those years and average it with its base figure and potentially consider the result as its overall DBE goal.⁴ Figure 3 presents participation of certified DBEs in Sound Transit’s FTA-funded contracts and procurements for FFYs 2017 through 2019, based on the agency’s FTA-approved

³ 49 CFR Section 26.45.

⁴ Section III (A)(5)(a) in USDOT’s “Tips for Goal-Setting in the Federal Disadvantaged Enterprise (DBE) Program.” <https://www.transportation.gov/osdbu/disadvantaged-business-enterprise/tips-goal-setting-disadvantaged-business-enterprise>

Uniform Reports of DBE Awards or Commitments and Payments. As shown in Figure 3, median DBE participation in FTA-funded contracts for FFYs 2017 through 2019 was 18.14 percent, supporting an **upward adjustment** to the agency’s base figure.

Figure 3.
Past participation of DBEs in FTA-funded contracts and procurements, FFYs 2017-2019

| FFY | DBE participation |
|------|-------------------|
| 2017 | 22.85 % |
| 2018 | 18.14 % |
| 2019 | 17.79 % |

Source:
 Sound Transit Uniform Reports of DBE Awards or Commitments and Payments.

b. Information related to employment, self-employment, education, training, and unions. BBC used regression analyses to investigate whether race/ethnicity or gender affects rates of self-employment (i.e., business ownership) among individuals working in relevant industries in the RGMA. The analyses allowed BBC to examine those effects while statistically controlling for various personal characteristics that are ostensibly race- and gender-neutral, including education, homeownership, marital status, income, and age. Figure 4 presents the groups that showed statistically significant disparities in business ownership for each relevant industry.

Figure 4.
Racial and gender groups that show statistically significant disparities in business ownership, by industry

| Industry | Group | Regression Coefficient |
|------------------------------|-----------------------------|------------------------|
| Construction | Black American | -1.01 |
| | Hispanic American | -0.27 |
| | Women | -0.39 |
| Architecture and engineering | Asian Pacific American | -0.50 |
| | Women | -0.27 |
| Other professional services | Asian Pacific American | -0.42 |
| | Subcontinent Asian American | -0.74 |
| Goods | None | N/A |

Source: BBC Research & Consulting from 2014-2018 ACS 5% Public Use Microdata samples. The raw data extract was obtained through the IPUMS program of the MN Population Center: <http://usa.ipums.org/usa/>.

As shown in Figure 4:

- Black Americans and Hispanic Americans working in the local construction industry are significantly less likely to own business than non-Hispanic whites, even after controlling for various race-neutral personal characteristics. In addition, women working in the local construction industry are significantly less likely to own business than men, even after controlling for various gender-neutral personal characteristics.
- Asian Pacific Americans working in the local architecture and engineering industry are significantly less likely to own business than non-Hispanic whites, even after controlling for

various race-neutral personal characteristics. In addition, women working in the local architecture and engineering industry are significantly less likely to own business than men, even after controlling for various gender-neutral personal characteristics.

- Asian Pacific Americans and Subcontinent Asian Americans working in the local other professional services industry are significantly less likely to own business than non-Hispanic whites, even after controlling for various race-neutral personal characteristics.

BBC analyzed the specific impact that disparities in business ownership have on the base figure by estimating the availability of potential DBEs for the contracts and procurements Sound Transit anticipates awarding in FFYs 2021 and 2022 if minorities and women owned businesses at the same rate as non-Hispanic white men who shared similar personal characteristics. Figure 5 presents the results of the analysis, which is referred to as a *but for* analysis, because it estimates the availability of potential DBEs *but for* continuing effects of race- and gender-based discrimination. The rows and columns of Figure 5 present the following information:

- Current availability.*** Column (a) presents the availability of potential DBEs by group and industry for the FTA-funded contracts and procurements that Sound Transit anticipates awarding in FFYs 2021 and 2022. Before any adjustment, the availability of potential DBEs for that work is 7.5 percent, as shown in row (37) of column (a).
- Disparity indices for business ownership.*** For each group that is significantly less likely than non-Hispanic whites and men to own businesses (as shown in Figure 4), BBC simulated business ownership rates if they owned businesses at the same rate as non-Hispanic white men who share the same personal characteristics. To simulate business ownership rates, BBC took the following steps: 1) the study team performed a probit regression analysis predicting business ownership including only workers in the dataset who were non-Hispanic white men; and 2) the study team used coefficients from the model and mean personal characteristics of each racial/ethnic and gender group that was significantly less likely than non-Hispanic white men to own businesses to simulate business ownership rates.

BBC calculated a business ownership disparity index for each group by dividing the observed business ownership rate by the simulated business ownership rate and multiplying by 100. Values of less than 100 indicate that, in reality, the group is less likely to own businesses than what would be expected for non-Hispanic white men who share similar personal characteristics. Column (b) presents disparity indices related to business ownership for the different groups. For example, as shown in row (2) of column (b), Black Americans own construction businesses at 17 percent of the rate that one might expect for non-Hispanic white men who share similar personal characteristics.

- Availability after initial adjustment.*** Column (c) presents availability estimates by group and by industry after initially adjusting for statistically significant disparities in business ownership rates. BBC 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. BBC only adjusted availability for those groups that are significantly less likely than similarly-situated non-Hispanic white men to own businesses in each industry.

Figure 5.
Availability for Sound Transit work adjusted for business ownership disparities

| Industry and group | a. Current availability | b. Disparity index for business ownership | c. Availability after initial adjustment* | d. Availability after scaling to 100% | e. Components of base figure** |
|-------------------------------------|-------------------------------|--|--|--|--------------------------------------|
| Construction | | | | | |
| (1) Asian Pacific American | 0.7 % | n/a | 0.7 % | 0.7 % | |
| (2) Black American | 0.5 | 17 | 2.8 | 2.7 | |
| (3) Hispanic American | 2.8 | 54 | 5.1 | 4.8 | |
| (4) Native American | 4.1 | n/a | 4.1 | 3.9 | |
| (5) Subcontinent Asian American | 0.1 | n/a | 0.1 | 0.1 | |
| (6) White woman | <u>1.5</u> | <u>61</u> | <u>2.4</u> | <u>2.3</u> | |
| (7) Potential DBEs | 9.7 % | n/a | 15.3 % | 14.5 % | 7.57 % |
| (8) All other businesses *** | <u>90.3</u> | <u>n/a</u> | <u>90.3</u> | <u>85.5</u> | |
| (9) Total | 100.0 % | n/a | 105.6 % | 100.0 % | |
| Architecture and engineering | | | | | |
| (10) Asian Pacific American | 0.3 % | 42 | 0.6 % | 0.6 % | |
| (11) Black American | 1.8 | n/a | 1.8 | 1.8 | |
| (12) Hispanic American | 0.0 | n/a | 0.0 | 0.0 | |
| (13) Native American | 0.0 | n/a | 0.0 | 0.0 | |
| (14) Subcontinent Asian American | 0.1 | n/a | 0.1 | 0.1 | |
| (15) White woman | <u>3.1</u> | <u>75</u> | <u>4.1</u> | <u>4.1</u> | |
| (16) Potential DBEs | 5.3 % | n/a | 6.7 % | 6.6 % | 2.74 % |
| (17) All other businesses *** | <u>94.7</u> | <u>n/a</u> | <u>94.7</u> | <u>93.4</u> | |
| (18) Total | 100.0 % | n/a | 101.4 % | 100.0 % | |
| Other professional services | | | | | |
| (19) Asian Pacific American | 1.3 % | 46 | 2.7 % | 2.7 % | |
| (20) Black American | 2.5 | n/a | 2.5 | 2.5 | |
| (21) Hispanic American | 0.0 | n/a | 0.0 | 0.0 | |
| (22) Native American | 0.2 | n/a | 0.2 | 0.2 | |
| (23) Subcontinent Asian American | 0.0 | 20 | 0.0 | 0.0 | |
| (24) White woman | <u>1.1</u> | <u>n/a</u> | <u>1.1</u> | <u>1.1</u> | |
| (25) Potential DBEs | 5.1 % | n/a | 6.5 % | 6.4 % | 0.28 % |
| (26) All other businesses | <u>94.9</u> | <u>n/a</u> | <u>94.9</u> | <u>93.6</u> | |
| (27) Total | 100.0 % | n/a | 101.5 % | 100.0 % | |
| Goods and services | | | | | |
| (28) Asian Pacific American | 0.4 % | n/a | 0.4 % | 0.4 % | |
| (29) Black American | 0.4 | n/a | 0.4 | 0.4 | |
| (30) Hispanic American | 1.8 | n/a | 1.8 | 1.8 | |
| (31) Native American | 0.3 | n/a | 0.3 | 0.3 | |
| (32) Subcontinent Asian American | 0.0 | n/a | 0.0 | 0.0 | |
| (33) White woman | <u>0.2</u> | <u>n/a</u> | <u>0.2</u> | <u>0.2</u> | |
| (34) Potential DBEs | 3.1 % | n/a | 3.1 % | 3.1 % | 0.05 % |
| (35) All other businesses | <u>96.9</u> | <u>n/a</u> | <u>96.9</u> | <u>96.9</u> | |
| (36) Total | 100.0 % | n/a | 100.0 % | 100.0 % | |
| (37) TOTAL | 7.5 % | n/a | | n/a | 10.64 % |

Notes: Numbers rounded to nearest tenth of 1%. Numbers may not add to totals due to rounding.

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

** Components of the base figure were calculated as the value after adjustment and scaling to 100%, multiplied by the percentage of total anticipated dollars in each industry (construction = 0.52, architecture and engineering = 0.42, other professional services = 0.04, and goods and services = 0.02).

*** All other businesses included majority-owned businesses and minority- and woman-owned businesses that were not potential DBEs.

Source: BBC Research & Consulting and Sound Transit data.

iv. Availability after scaling to 100 percent. Column (d) shows adjusted availability estimates that BBC rescaled so that the sum of the availability estimates equaled 100 percent for each industry. BBC rescaled 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”—in row (9) for construction, row (18) for architecture and engineering, row (27) for other professional services, and row (36) for goods and services—and multiplying by 100. For example, the rescaled adjusted availability estimate for Black American-owned construction businesses shown in row (2) of column (d) was calculated in the following way: $(2.8\% \div 105.6\%) \times 100 = 2.7$ percent.

v. Components of goal. Column (e) shows the component of the total base figure attributed to adjusted minority- and woman-owned availability for each industry. BBC calculated each component by taking the total availability estimate shown under “Potential DBEs” in column (d)—in row (7) for construction, row (16) for architecture and engineering, row (25) for other professional services, and row (34) for goods and services—and multiplying it by the proportion of total FTA-funded contract dollars for which each industry is anticipated to account (i.e., 0.52 for construction, 0.42 for architecture and engineering, 0.04 for other professional services, and 0.02 for goods and services). For example, BBC took the 14.5 percent adjusted availability estimate for construction, as shown in row (7) of column (d), and multiplied it by 0.52 for a result of 7.6 percent (see row (7) of column (e)). The values in column (e) were then summed to equal the availability of potential DBEs for FTA-funded contracts Sound Transit anticipates awarding in FFYs 2021 and 2022, adjusted for barriers in business ownership—**10.6 percent**—as shown in the bottom row of column (e). Thus, the adjusted availability figure of 10.6 percent also supports an **upward adjustment** to the base figure.

c. Disparities in the ability of DBEs to get financing, bonding, and insurance. In 2019, Sound Transit commissioned analyses of barriers that minority- and woman-owned businesses face in financing, bonding, and insurance. (BBC did not conduct those analyses.) Results from those analyses indicated that small businesses are more likely than other businesses to be denied commercial bank loans, even after accounting for various business characteristics. That disparity could have substantial impacts on minority- and woman-owned businesses, because most minority- and woman-owned businesses are small in size. Any barriers that small businesses face in accessing financing could depress the availability of minority- and woman-owned businesses for contracting work with government agencies such as Sound Transit. Thus, analyses related to access to financing also support an **upward adjustment** to the base figure.

d. Other factors. USDOT suggests that agencies also examine “other factors” when determining whether to make step-2 adjustments to their base figures. Analyses that Sound Transit commissioned in 2019 also provided evidence that minority- and woman-owned businesses are less successful than other businesses:

- Minority- and woman-owned businesses make up approximately 8 percent of businesses in the local marketplace but account for less than 3 percent of business revenue in the region.
- Sound Transit is less likely to award prime contracts to Black American-owned businesses compared to businesses owned by non-Hispanic whites, even after accounting for various

business characteristics that are ostensibly race-neutral such as size, bonding capacity, and qualifications.

- Black American-owned businesses and Asian Pacific American-owned businesses are more likely to have never worked on Sound Transit prime contracts or subcontracts compared to businesses owned by non-Hispanic whites, even after accounting for various business characteristics that are ostensibly race-neutral.
- Subcontinent Asian American-owned businesses and DBEs in general tend to win smaller contracts in the local marketplace compared to businesses owned by non-Hispanic white Americans, even after accounting for various business characteristics that are ostensibly race- and gender neutral.

All of the above results support an **upward adjustment to the base figure**.

e. Adjustment. Sound Transit has considered information relevant to a potential step 2 adjustment and has decided to make an **upward adjustment** to its base figure. The agency has decided to make an upward adjustment based on: i) disparities in business ownership for minorities and women; ii) the current capacity of DBEs to perform work on Sound Transit's FTA-funded work; and iii) barriers in financing and business success for minorities, women, and minority- and woman-owned businesses.

i. Disparities in business ownership. Analyses that BBC conducted indicate that the availability of potential DBEs would be as high as 10.64 percent if minorities and women who work in relevant local industries owned businesses at the same rate as non-Hispanic white men who share the same personal characteristics. To account for disparities in business ownership, Sound Transit has decided to adjust its base figure upward to 10.64 percent.

ii. Capacity of DBEs to perform agency work. Sound Transit has achieved DBE participation as high as 22.85 percent in FTA-funded contracts and procurements in recent years and believes it is important for its overall DBE goal to be reflective of that level of participation. Consistent with USDOT guidance, to further adjust its base figure to account for recent participation of DBEs in its FTA-funded contracts and procurements, Sound Transit took the average of its base figure adjusted for disparities in business ownership (10.64%) and median DBE participation in its FTA-funded contracts for FFYs 2017 through 2019 (18.14%) for a value of 14.39 percent.⁵

iii. Barriers in financing and business success. Analyses that Sound Transit commissioned in 2019 indicated various barriers in financing and business success for minorities, women, and minority- and woman-owned businesses. To account for those barriers, Sound Transit has decided to further adjust its base figure upward by 2 percentage points to 16.39 percent.

⁵ Section III (A)(5)(a) in USDOT's "Tips for Goal-Setting in the Federal Disadvantaged Enterprise (DBE) Program." <https://www.transportation.gov/osdbu/disadvantaged-business-enterprise/tips-goal-setting-disadvantaged-business-enterprise>

3. New goal. Sound Transit proposes a **new overall DBE goal of 16.39 percent** for FFYs 2021 and 2022.

B. Race- and Gender-Neutral and Race- and Gender-Conscious Split

Race- and gender-neutral program measures are designed to encourage the participation of all businesses—or all small businesses—in an agency’s contracting. In contrast, race- and gender-conscious measures are designed to specifically encourage the participation of minority- and woman-owned businesses in an agency’s contracting (e.g., using DBE participation goals to award individual contracts). If an agency cannot meet its goal solely through the use of race- and gender-neutral measures, then it must consider also using race- and gender-conscious measures. In accordance with federal regulations and USDOT guidance, Sound Transit will attempt to meet the maximum feasible portion of its proposed 16.39 percent overall DBE goal with the use of race- and gender-neutral measures.

Sound Transit’s Uniform Reports of DBE Awards or Commitments and Payments from 2017 through 2019 indicate that the agency attained 3.44 percent DBE participation with the use of race- and gender-neutral measures alone. Sound Transit will further encourage the use of Small Business Enterprise (SBE) goals when awarding individual contracts in FFYs 2021 and 2022 and will also encourage prime contractors to partner with DBEs in attempting to meet those goals. The agency projects that those efforts will more than double its attainment of DBE participation with the use of race- and gender-neutral measures alone. Thus, Sound Transit projects that it will meet 7.0 percent of its proposed overall DBE goal with the use of race- and gender-neutral measures alone and meet the remainder of its overall DBE goal—9.39 percent—with the use of race- and gender-conscious measures.

C. Public Participation

Public participation is a key component of Sound Transit’s process for establishing a new overall DBE goal. Sound Transit will disseminate a draft of this document to stakeholders throughout the local marketplace and post the document on its website. The agency will also present its new goal at two public webinars in October 2020 and answer questions and collect any feedback. Sound Transit will present that feedback as part of its final goal submission to FTA.

D. Summary

Sound Transit proposes a new overall DBE goal for FFYs 2021 and 2022 of 16.39 percent. Based on results from the 2020 Disparity Study and information about FTA-funded contracts that the agency anticipates awarding, the agency determined that the base figure for its new overall DBE goal is 7.5 percent. Sound Transit decided to adjust the base figure to 10.6 percent to account for barriers in business ownership that minority and women workers face. Sound Transit decided to further adjust the base figure to 14.39 percent to account for the current capacity of DBEs to perform work on the agency’s FTA-funded contracts. Finally, Sound Transit further adjusted the base figure to 16.39 percent to account for barriers that minorities, women, and minority- and woman-owned businesses face in financing and business success. Sound Transit will attempt to meet its overall DBE goal through a combination of race- and gender- neutral and race- and gender-conscious program measures. The agency projects that it will be able to meet 7.0 percent

of its overall DBE goal through the use of race- and gender-neutral measures alone and the remaining 9.39 percent through the use of race- and gender-conscious measures.

Sound Transit is setting its goal as the nation contends with the effects of the COVID-19 pandemic. Those effects are expected to impact economic conditions = for the next several years. Sound Transit will monitor the impacts of the pandemic during the time period that its new goal will cover and make any necessary adjustments to its goal or implementation of the Federal DBE Program to help encourage the participation of minority- and woman-owned businesses in the FTA-funded contracts and procurements that it awards.