Executive Summary:

Recommendations for Establishing a 3-Year FTA DBE Goal for New Jersey Transit FY2017–2019

Submitted to:

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EXECUTIVE SUMMARY

This report provides proposed Disadvantaged Business Enterprise (DBE) Goals for the New Jersey Transit Corporation (NJT) for federal fiscal years 2017–2019 on Federal Transit Administration (FTA) funded expenditures.[1] The report uses comparable methodologies to those used in the previous NJT DBE Goals Reports, adapted appropriately for the revised time periods and sources of data for computing the base goal, making adjustments to the base goal, and computing the race-neutral portion of the goal. The report also makes required adjustments to the race-neutral vs race-conscious goals in light of NJT's exceeding its previous triennial goals. This report was constructed using the best available information received from NJT, as well as reliable publicly available secondary data.

Six methods of computing the availability of ready, willing and able DBEs were used to calculate the unadjusted base goal: (1) DBE List Method, (2) Dun & Bradstreet Method, (3) Prequalification Method, (4) Survey of Business Owners (SBO) Method, (5) Bidders List Method, and (6) Vendors List Method. Availability measures were computed separately for six different geographic market area definitions. The availability measures were weighed by the share of dollars within NAICs codes reflecting anticipated expenditures for 2017–2019.

The analysis found disparities between DBEs and non-DBEs in prime contract amounts awarded and the probability of being prequalified for a bid amount of over $4 million dollars. The adjustment factor is found by computing the portion of these disparities unexplained by differences in size, tenure, credit risk, location, year, and industry.

The following table summarizes the results of the availability analysis and the computation of the base goal.

Computation of the Base Goal

	PJM1	PJM2	VM1	VM2	VM3	VM4
1. DBE method	14.7%	15.0%	26.8%	14.9%	21.3%	20.2%
2. D&B method	12.2%	13.1%	11.5%	11.2%	12.9%	11.7%
3. Prequalification Method	3.8%	3.6%	2.4%	4.0%	3.9%	1.5%
4. SBO Method	22.6%	29.2%				
5. Bidders Method	4.2%	4.1%	5.7%	4.2%	4.4%	2.3%
6. Vendor Method	10.8%	10.5%	13.3%	10.0%	9.4%	12.3%

Scaled weighted average: 15.7

Sources:
1. New Jersey, New York, and Pennsylvania certified DBE lists provided by NJT Office of Business Development. 2013 Zip Code Industry Retail Record, US Census Bureau.
2. Hoovers database – a D&B product.
3. New Jersey Transit Procurement Office, list of firms that prequalified for a construction contract; NJ, NY, PA UCP DBE lists.
4. 2012 Survey of Business Owners – American FactFinder U.S. Census Bureau
5. Bidders information from the Office of Procurement July 1st 2012 to September 30, 2015.
6. New Jersey Transit Procurement Office.

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[1] The DBE goal excludes from the database contracts related to transit vehicle manufacturers and track materials, consistent with the 49 CFR Part 26 rule.

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The base goal is adjusted by taking into account measured discrimination in prime contract award amounts and prequalification rates. The adjustment is found to be 29.5 percent. The adjusted goal, therefore, is equal to the base goal (15.7 percent) multiplied by the one plus the adjustment (1.295) or 20.3 percent.

The maximum feasible race-neutral portion of the overall goal is estimated using a statistical procedure developed by the Roy Wilkins Center that evaluates the maximum share of dollars that would accrue to DBEs in contracts without goals.

To account for overshooting of the previously set Triennial DBE Goals, the research team adjusted the race neutral goals and race conscious goals following CFR 26.51(f)(4)) requiring grantees to reduce the use of race conscious contract goals proportionately following two consecutive years of exceeding the triennial goal. The research team used two empirical methods that yielded substantively the same results:

i) U.S. Department of Transportation's method suggests, "It is advisable to calculate the median of the past years' participation," and calculate "the median amount by which you exceeded your goal."
ii) The research team used a more sophisticated econometric approach to make the adjustment that yielded nearly identical results as the US DOT's method. Since the source of the overshooting was Sandy Contracts, the method used estimates a regression model to predict DBE contract amounts with and without goals for only non-Sandy contracts. That is, the method computes the portions of the overall attainment *from contracts other than those that resulted in overshooting* that can be accounted for by race-neutral vs race-conscious means.

The mathematical computation yields a race-neutral portion of the overall DBE goal of 13.3 percent and a race-conscious portion equal to 7.0 percent, equal to the adjusted goal of 20.3 percent. The recommendation of the FY 2017–2019 DBE goal is:

Estimates FY2017–2019

Base Goal from Availability	**15.7%**
Discrimination Gap	29.5%
ADJUSTED DBE GOAL	**20.3%**
Adjusted Race Neutral Percent	65.46%
Race Neutral Goal	**13.3%**
Adjusted Race Conscious Percent	34.53%

RECOMMENDATIONS

The recommended goal reflects a very high race-neutral portion accounting for previous overshooting of the Triennial Goals. Meeting or exceeding overall DBE goals often means that the race-conscious goals are being set on contracts where race-neutral methods might suffice. The research team recommends that NJT regularly monitor the race-conscious vs race-neutral

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portions of the goals. NJT should undertake quarterly analysis of attainment data. The monitoring should reflect the same type of statistical rigor as that mandated in the calculation of the goals themselves. One important distinction that NJT will need to make is between attainment based on award data vs attainment using expenditure data. It appears that using award data NJT did not overshoot the Triennial DBE Goals in two consecutive years but did so in the expenditure data. The research team suggests that NJT consider aligning its expenditure system with its contract awards data system to assist its monitoring.

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