

**GREATER SOUTHEAST MANAGEMENT DISTRICT
OVERALL DBE GOAL CALCULATION
FISCAL YEAR (FY) 2024 -2026**

Introduction

The process used by Greater Southeast Management District (“GSMD”) to establish its Disadvantaged Business Enterprise (“DBE”) goal for fiscal year (FY) 2024 through 2026 is summarized below. GSMD followed a two-step process based on documented evidence of the availability of ready, willing, and able DBEs relative to all businesses ready, willing, and able to participate in GSMD’s Federal Transit Administration (“FTA”) assisted contracts, which is referred to as relative availability of DBEs and establishes the base goal. The goal reflects GSMD’s expected level of participation by DBEs. After the public comment period was concluded, GSMD evaluated the comments to determine if any further adjustments needed to be made to the established DBE Goal. GSMD does not have any subrecipients of federal funding.

Description of Projects

GSMD is currently anticipating one planning project and one engineering project with FTA funding over the next three years. GSMD does not provide transit operations but does receive federal funding through grants for pedestrian improvements to support access to transit.

Goal Setting Process

The steps in the process to determine the DBE goals are: (1) establish the base goal and (2) adjust the base goal, if needed.

Data Sources and Market Area

GSMD considered all the possible FTA assisted contracting opportunities for award in FY 2024 through 2026 and compiled the North American Industry Classification System (NAICS) codes for the work included in the contracting opportunities. GSMD established the counties of the TxDOT Houston Work District as the market area to determine the total number of DBE ready, willing, and able businesses available to perform work in the same NAICS codes, which includes Brazoria, Fort Bend, Galveston, Harris, Montgomery, and Waller Counties. GSMD established this market area due to the availability of contractors in the area and the size and cost of the projects projected. GSMD reviewed the total firms in the same counties in the TxDOT Houston Work District in the 2021 US Census County Business Patterns.

Step 1 – Establish Base Goal

GSMD used the suggested calculation tables to determine the weighted base goal. There is one planning project and one engineering project programmed for the next three years. Tasks involved in this project include planning and engineering. Each NAICS Code is defined in the table below.

NAICS	Definition
541611	Administrative Management and General Management Consulting Services
541330	Engineering Services

1 - Determine the weight of each type of work by NAICS Code

Weighted NAICS Codes			
NAICS Code	Project	Amount of DOT funds on project:	% of total DOT funds (weight)
541611	Area of Persistent Poverty Planning Study	\$283,000.00	0.6388
541330	Neighborhood Greenways Design	\$159,997.00	0.3612
Total FTA-Assisted Contract Funds		\$442,997.00	1.0000

2 - Determine the relative availability of DBE's by NAICS Code

Firm Relative Availability				
NAICS Code	Project	Number of DBEs available to perform this work	Number of all firms available (including DBEs)	Relative Availability
541611	Area of Persistent Poverty Planning Study	55	2383	0.0231
541330	Neighborhood Greenways Design	87	1959	0.0444
Combined Totals		142	4342	0.0327

3 - (Weight) x (Availability) = Weighted Base Figure

Weighted Base Figure					
NAICS Code	Project	Weight	x	Availability	Weighted Base Figure
541611	Area of Persistent Poverty Planning Study	0.6388	x	0.0231	0.0147
541330	Neighborhood Greenways Design	0.3612	x	0.0444	0.0160
Total					0.0308
Rounded Percentage					3%

Step 2 – Base Goal Adjustment

Past Participation

Previously, GSMD had an FTA-approved DBE program goal of 35.25%. This DBE program goal was 100% race neutral. Based on the statistical analysis conducted under Step 1, Establish Base Goal, GSMD will use the 3% goal as the established, rounded, weighted base goal. For the past four fiscal years, GSMD has awarded one engineering contract with 23% DBE participation and one construction with 100% DBE participation, both through race neutral means.

	Past Participation
FY 2019	23.0%
FY 2020	100.0%
FY 2021	N/A
FY 2022	N/A
Average Participation	30.75%

GSMD believes that the average participation is a better representation of their program than the median participation. Of the two procurements released, the minimum DBE participation was 23% and the maximum DBE was 100%. If GSMD was to use the median participation and average it with the weighted base goal, GSMD's adjustment would fall under 20%. GSMD's policy is to strive to obtain DBE participation that is an accurate reflection of the market area (described below in the Harris County disparity study) and the median participation was considered to be the low end of participation for GSMD.

Disparity Studies

In researching disparity analysis within the Houston metropolitan area, there are several disparity studies to review as part of this DBE Goal Setting.

The Metropolitan Transit Authority of Harris County (METRO) examined prime contract awards in construction, professional services, and goods and services from October 1, 2013, to September 30, 2018. The Study found that there were disparities in different contract types in both the prime contracts and subcontracts METRO awarded during the study period.

For Professional Services Prime Contracts, the Study stated, "Disparity was found for African American, Subcontinent Asian American, Caucasian female, minority-owned, and woman-owned businesses on professional services prime contracts valued \$10,001 to \$15,000. Disparity was found for African American, Subcontinent Asian American, Hispanic American, Caucasian female, minority-owned, and woman-owned businesses on professional services prime contracts valued \$15,001 to \$50,000. Disparity was also found for African American, Caucasian female, minority-owned, and woman-owned businesses on professional services prime contracts valued \$50,00 and under \$1,560,000."

Ethnicity/ Gender	Professional Services			
	Contracts \$10,000 and Under	Contracts \$10,001 to \$15,000	Contracts \$15,001 to \$50,000	Contracts Over \$50,000 and Under \$1,560,000
African Americans	<i>Disparity</i>	<i>Disparity</i>	<i>Disparity</i>	<i>Disparity</i>
Asian-Pacific Americans	No Disparity	No Disparity	No Disparity	No Disparity
Subcontinent Asian Americans	<i>Disparity</i>	<i>Disparity</i>	<i>Disparity</i>	No Disparity
Hispanic Americans	<i>Disparity</i>	No Disparity	<i>Disparity</i>	No Disparity
Native Americans	No Disparity	No Disparity	No Disparity	No Disparity
Caucasian Females	<i>Disparity</i>	<i>Disparity</i>	<i>Disparity</i>	<i>Disparity</i>
Minority Business Enterprises	<i>Disparity</i>	<i>Disparity</i>	<i>Disparity</i>	<i>Disparity</i>
Woman Business Enterprises	<i>Disparity</i>	<i>Disparity</i>	<i>Disparity</i>	<i>Disparity</i>

The Study provided both race-neutral and race-conscious recommendations. For race-neutral recommendations, the Study promotes revising bonding and insurance requirements, providing adequate lead time, expanding marketing, and unbundling large procurements into smaller contracts. For race-conscious recommendations, the Study recommends requiring goal attainment at the bid opening, expanding marketing, requiring certification and verification of M/WBEs, developing quarterly participation report, assessing penalties to nonattainment, and providing more training to staff.

The Harris County Disparity Study (2020) compared county contracts awarded to minority- and women-owned businesses to the number of such businesses that were available. The marketplace for this study is similar to GSMD's market area: Brazoria, Fort Bend, Galveston, Harris, and Montgomery Counties. The study found that for every \$100 paid by the county on third-party contracts, \$90.90 went to white male-owned businesses; \$3.20 went to white women-owned business; \$4.60 went to businesses owned by people of Hispanic descent; \$0.60 went to businesses owned by people of Asian descent; \$0.10 went to businesses owned by people of Native American descent; and \$0.50 went to businesses owned by Black men and women.

While white male-owned businesses made up 72.0% of the marketplace, those businesses received 90.9% of the third-party contracts; black-owned businesses made up 8.4% of the marketplace yet received 0.5% of third-party contracts. While the gap for Black-owned businesses was proportionately largest, all minorities and women were underrepresented in third-party contracts. Asian-owned businesses accounted for 3.0% of the marketplace but only 0.6% of third-party contracts; Native American-owned businesses made up 0.4% of the marketplace but only 0.1% of third-party contracts; Hispanic-owned businesses made up 11.0% of the marketplace but only 4.6% of third-party contracts; and businesses owned by white women made up 6.0% of the marketplace but only 3.2% of third-party contracts. As a whole, minority DBE firms made up 28.4% of the marketplace, but only received 9.1% of the third-party contracts.

The first recommendation is to implement more race neutral measures, including increased vendor communication and outreach to M/WBEs and small firms. GSMD will notify minority business organizations, such as Houston Minority Business Development Agency or the Houston Minority Supplier Development Council, about potential contracting, or subcontracting opportunities. Another recommendation is to set race-conscious goals, due to the demonstrated disparity.

The Port of Houston Authority 2020 Disparity Study reviewed FY2015-2019 contracting for the industry categories of Construction, Architectural & Engineering, Professional Service, Other Services, and Goods. The study set their market area as Harris, Montgomery, and Fort Bend Counties. The study found statistically significant underutilization of minority and woman owned firms in all five (5) industry categories except Asian American and Hispanic American owned firms as prime contractors in Professional Services.

The City of Houston has released a Request for Proposals to conduct a disparity study in 2022. No current disparity study is available.

Adjustment

GSMD took the participation of the past three fiscal years. GSMD took the past participation percentage and the weighted base goal and averaged them together to create the adjusted DBE Goal.

Adjusted DBE Goal	
Weighted Base Goal	3.1%
Average Past Performance Percentage	30.75%
Total	33.85%
Adjusted DBE Goal	16.93%
Rounded DBE Goal	17%

GSMD will set the DBE goal at 17% based on past performance and monitor how much DBE participation occurs over the next three (3) years. This DBE Goal will be 100% Race Neutral, based on past performance. This adjusted goal is GSMD's overall program goal for the next three fiscal years.

GSMD has a history of high percentage of DBE Participation on race-neutral, construction contracts and obtaining an accurate reflection of the available DBE marketplace. The last construction contract had 100% DBE Participation with DBE Prime. This DBE Goal will be 100% Race Neutral, based on GSMD's race-neutral, past performance. This adjusted goal is GSMD's overall program goal for the next three fiscal years.

Breakdown of Estimated Race-Neutral & Race Conscious Participation

GSMD will meet the maximum feasible portion of its overall goal by using both race-neutral and race-conscious means of facilitating DBE participation. GSMD uses race-neutral means, including but not limited to contacting DBE and SBE Directories, creating bidders lists, proactive outreach events with DBE firms in the area, and advertising prime contracts to DBEs, to increase DBE participation.

GSMD estimates that, in meeting our overall goal of 17%, GSMD will obtain 100.0% from race-neutral participation and 0.0% from race-conscious participation.

The following is a summary of the estimated breakout of race-neutral and race-conscious DBE participation:

GSMD's program will be implemented entirely with race-neutral means. If GSMD uses contract goals, GSMD will adjust the estimated breakout of race-neutral and race-conscious participation as needed to reflect actual DBE participation (see 26.51(f)) and GSMD will communicate this change to the program to FTA.

GSMD does not intend to achieve any DBE participation by using contract goals.

If GSMD revises its program and uses contract goals, GSMD will track and report race-neutral and race-conscious participation separately. For reporting purposes, race-neutral

DBE participation includes, but is not necessarily limited to, the following: DBE participation through a prime contract a DBE obtains through customary competitive procurement procedures; DBE participation through a subcontract on a prime contract that does not carry DBE goal; DBE participation on a prime contract exceeding a contract goal; and DBE participation through a subcontract from a prime contractor that did not consider a firm's DBE status in making the award.