

Nevada Department of Transportation Disparity Study 2021

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Disparity Study Objectives

- Provide a legal defense if the program is challenged
- Meet constitutional requirements
- Meet USDOT regulatory requirements
- Provide policy and program recommendations
- Educate policy makers and stakeholders about the legal and economic issues to build consensus

Disparity Study Data and Methods

- Quantitative Data Sources
 - NDOT contract and vendor records
 - Contract information from prime vendors
 - DBE Directories
 - Hoovers/Dun & Bradstreet
 - U.S. Census Bureau
 - Scholarly research
- Qualitative Data Sources
 - Business owner interviews
 - Business owner survey
 - NDOT staff

Disparity Study Elements

- Legal Review and Analysis
- Utilization, Availability and Disparity Analyses
 - Determination of NDOT's geographic and industry markets for FHWA and state funded contracts
 - Determination of DBE utilization for these markets
 - Estimation of DBE availability in these markets
 - Calculation of disparity ratios
 - Concentration analyses
- Economy-Wide Disparity Analysis
- Anecdotal Data Collection and Analysis
- Recommendations

Disparity Study Findings

- Study Analyzed FY 2015-2019 Contracts
 - FHWA funded contracts
 - 219 prime contracts totaling \$1,308.41M
 - 1,572 subcontracts totaling \$605.29M
 - State funded contracts
 - 459 prime contracts totaling \$867.97M
 - 1,164 subcontracts totaling \$159.45M

Disparity Study Findings

- **NDOT's Geographic Market**
 - State of Nevada
 - 93.3% of FHWA spend
 - 93.2% of state funded spend
- **NDOT's Product Markets**
 - 40 NAICS codes comprise FHWA funded spend
 - 56 NAICS codes comprise state funded spend

Disparity Study Findings

- FHWA funded contracts
 - Utilization
 - DBEs: 7.2%
 - Blacks: 0.1%
 - Hispanics: 2.9%
 - Asians: 0.0%
 - Native Americans: 0.0%
 - White women: 4.3%
 - Non-DBEs: 92.8%
 - Unweighted Availability
 - DBEs: 12.2%
 - Blacks: 1.9%
 - Hispanics: 2.2%
 - Asians: 0.7%
 - Native Americans: 0.4%
 - White women: 7.0%
 - Non-DBEs: 87.8%

Disparity Study Findings

- FHWA funded contracts
 - Weighted availability
 - DBEs: 26.7%
 - Blacks: 3.0%
 - Hispanics: 8.5%
 - Asians: 0.9%
 - Native Americans: 1.6%
 - White women: 12.7%
 - Non-DBEs: 73.3%
 - Disparity ratio = DBE utilization ÷ weighted availability
 - DBEs: 27.1%
 - Substantively significant
 - Statistically significant at 0.001 level
 - Non-DBEs: 126.5%
 - Statistically significant at 0.001 level

Disparity Study Findings

- FHWA funded contracts
 - Concentration of contract dollars
 - 3 NAICS codes account for 82% of FHWA contract dollars
 - Few DBE firms receive contracts in these three codes
 - Highway, Street, and Bridge Construction (237310)
 - 11 DBEs received 42.1% of spend vs. 55 non-DBEs who received 53.1% of spend
 - Top three White woman firms received 97.8% of spend vs. top three non-DBEs who received 51.7% of spend
 - Water and Sewer Line and Related Structures Construction (237110)
 - Two DBEs firms received 0.3% of spend vs. 10 non-DBEs who received 18.8% of spend
 - Engineering Services (541330)
 - Four DBEs received 2.0% of spend vs. 18 non-DBEs who received 13.0% of spend

Disparity Study Findings

- State funded contracts
 - Utilization
 - DBEs: 5.1%
 - Blacks: 0.1%
 - Hispanics: 0.2%
 - Asians: 0.1%
 - Native Americans: 0.1%
 - White women: 4.6%
 - Non-DBEs: 94.9%
 - Unweighted Availability
 - DBEs: 11.8%
 - Blacks: 1.8%
 - Hispanics: 1.8%
 - Asians: 0.7%
 - Native Americans: 0.3%
 - White women: 7.2%
 - Non-DBEs: 88.2%

Disparity Study Findings

- State funded availability
 - DBEs: 21.8%
 - Blacks: 2.5%
 - Hispanics: 6.2%
 - Asians: 1.4%
 - Native Americans: 1.3%
 - White women: 10.4%
 - Non-DBEs: 78.2%
- Disparity ratio = DBE utilization ÷ weighted availability
 - DBEs: 23.4%
 - Substantively significant
 - Statistically significant at 0.001 level
 - Non-DBEs: 121.3%
 - Statistically significant at 0.001 level

Disparity Study Findings

- Concentration of contract dollars
 - Two NAICS codes account for 69% of state funded contracts
 - Few DBE firms receive contracts in these two codes
 - Engineering Services (541330)
 - Five DBE firms received 46.5% of spend vs. 31 non-DBEs received 28.0% of spend
 - Highway, Street, and Bridge Construction (237310)
 - 17 DBEs received 0.5% of spend vs. 69 non-DBE firms received 42.2% of spend

Disparity Study Findings

- Economy-Wide Disparity Analysis
 - Useful to evaluate the effectiveness of race-neutral measures
 - American Community Survey
 - Minorities and White women earned less and formed fewer businesses than White males
 - Annual Business Survey
 - Very large disparities in firm sales receipts between DBEs and non-DBEs
 - Scholarly research and literature
 - Credit discrimination barriers remain high
 - Human capital constraints continue to impede success

Disparity Study Findings

- Review of NDOT's DBE Program
 - Interviewed 81 individuals
 - Survey responses from 108 businesses
 - Program generally works well
 - Important for building relationships
 - Contract goals remain essential for obtaining business
 - NDOT's business support services and the Mentor Protégé Program were praised
 - Training in NDOT's systems and processes would be helpful
 - State licensing regulations for construction firms were a barrier for small firms
 - "Unbundling" contracts would facilitate prime contract awards to DBEs
 - Program was seen as less useful for DBE design firms

Disparity Study Findings

- Meeting Contract Goals
 - Most prime contractors were able to meet contract goals
 - Contract goals on small contracts with few subcontracting opportunities presented challenges
 - Meeting goals in the northern part of the state was especially difficult
 - NDOT seen as reasonable when considering good faith efforts documentation
 - How NDOT sets contract goals was not always clear

Disparity Study Findings

- Anecdotal Data Collection and Analysis
 - Negative assumptions about minority and woman business owners qualifications and capabilities persist
 - Stigma to being DBE certified
 - Barriers remain to networks necessary for DBE success
 - Racial minorities continue to experience discrimination
 - Women suffer stereotypical assumptions about their roles and authority and hostile environments, particularly in the field

Disparity Study Recommendations

- Enhance race- and gender-neutral measures
 - Conduct targeted outreach to underrepresented DBEs
 - Clarify and develop additional small business elements
 - Expand technical assistance and supportive services offerings
 - Augment DBE Program policies and procedures
 - Enhance contract data collection

Disparity Study Recommendations

- Continue to implement a narrowly tailored DBE Program
 - Use the study to set the triennial DBE goal
 - Use the study to set DBE contract goals
 - Consider allowing prime contractors to “bank” DBE participation
 - Expand the Mentor-Protégé Program and supportive services offerings
 - Develop performance measures for success



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