

**Oregon Department of Transportation:
Office of Civil Rights'
Emerging Small Business (ESB) Program
Biennial Report (ORS 200.160)
December 2017**



Introduction

The Oregon Department of Transportation's (ODOT) Emerging Small Business (ESB) Program seeks to help Oregon's small business community overcome barriers to participation in the state's multi-billion dollar public contracting process. This program helps small Oregon firms increase their capacities to perform and bid on contracts, and then expand their market shares.

In accordance with ORS 200.160, which states that *the Oregon Transportation Commission shall appoint a committee to recommend plans whereby the Department of Transportation may assist emerging small businesses in overcoming barriers to participation in state public improvement and maintenance projects. The committee shall report biennially its recommendation to the commission and to the appropriate legislative committee. [1991 c.517 §2; 2005 c.683 §8]*, the Emerging Small Business (ESB) Advisory Committee meets annually and more frequently as needed. The last meeting was on 11/3/17.

The Advisory Committee is comprised of the following ODOT staff:

- ODOT Chief Administrative Officer
- Budget Officer
- HQ Business Manager
- ODOT State Maintenance & Operations Manager
- Chief Procurement Officer
- ODOT Highway Administrator
- ODOT Assistant Director
- Civil Rights Manager

The Advisory Committee provides oversight on all aspects of the ESB Program, including educational and mentoring programs to meet the two main objectives of the ESB program:

- Short term – provide immediate contract opportunities on ODOT contracts that are exclusively available to certified ESBs.
- Long term – develop ESB firms' ability to grow and compete for larger ODOT contracts by providing approachable size contracts, allowing for said firms to learn ODOT contracting processes while completing essential smaller pieces of work across Oregon.

ESB Program Overview

The ESB program is comprised of two main components:

- **ESB Project Delivery Program** – Selection and management of improvement and maintenance contracts for ESB firms.
- **Supportive Services** – Programs utilized to develop and aid in growing ESB firms.

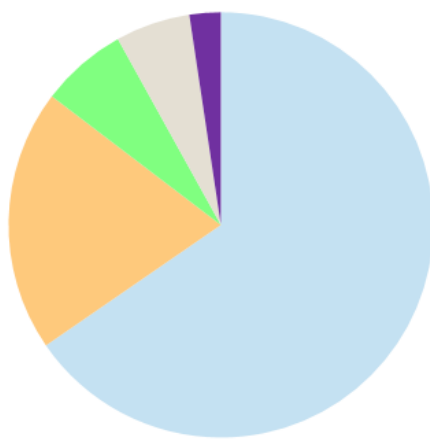
ESB Project Delivery Program – Building Oregon infrastructure through Small Business

The ESB Project Delivery program started in 1989 for the express purpose of giving small companies, regardless of race or gender, access to the opportunity to experience a prime contractor relationship with ODOT on moderately sized (under \$100,000) public works projects, set aside for exclusive bidding by ESB firms. In this environment, ESB contractors are often mentored by ODOT project managers to learn how to successfully work with government contracts. Each of the 76 projects delivered during the 2015-2017 provided opportunities for certified firms to learn, grow, and succeed. The amount spent in the 2015-2017 biennium is a direct reflection of both the need for the ESB program and the overwhelming support for this program from each corner of the state.

The ESB firms gain expertise through working on transportation related projects. As the smaller firms improve and grow, they are able to bid on larger projects, creating a more competent and competitive pool of contractors. There are 2,729 ESB certified firms participating in the program as of 10/20/17.

The chart below provides a visual display of the breakdown of where firms are located within the state of Oregon. Region 1, which is predominantly the Portland Metro area and surrounding communities is home to almost 2/3 of all ESB firms, with 1785 in total. Region 2, which runs from approximately Oregon City to Roseburg and from Tillamook to Detroit, houses more ESB firms than Regions 3: Southwest Oregon, 4: Central Oregon, and 5: Eastern Oregon combined, which make up the rest of the state. The ESB program provides balance across all 5 regions by being involved with outreach, direct contacts, and by ensuring project dollars are utilized across all areas of the state.

ESB Certified Firms



- R1
- R2
- R3
- R4
- R5

Total ESB Population: 2729

Region 1, Portland Metro : 1785

Region 2, Willamette Valley
North Coast : 544

Region 3, Southwest : 180

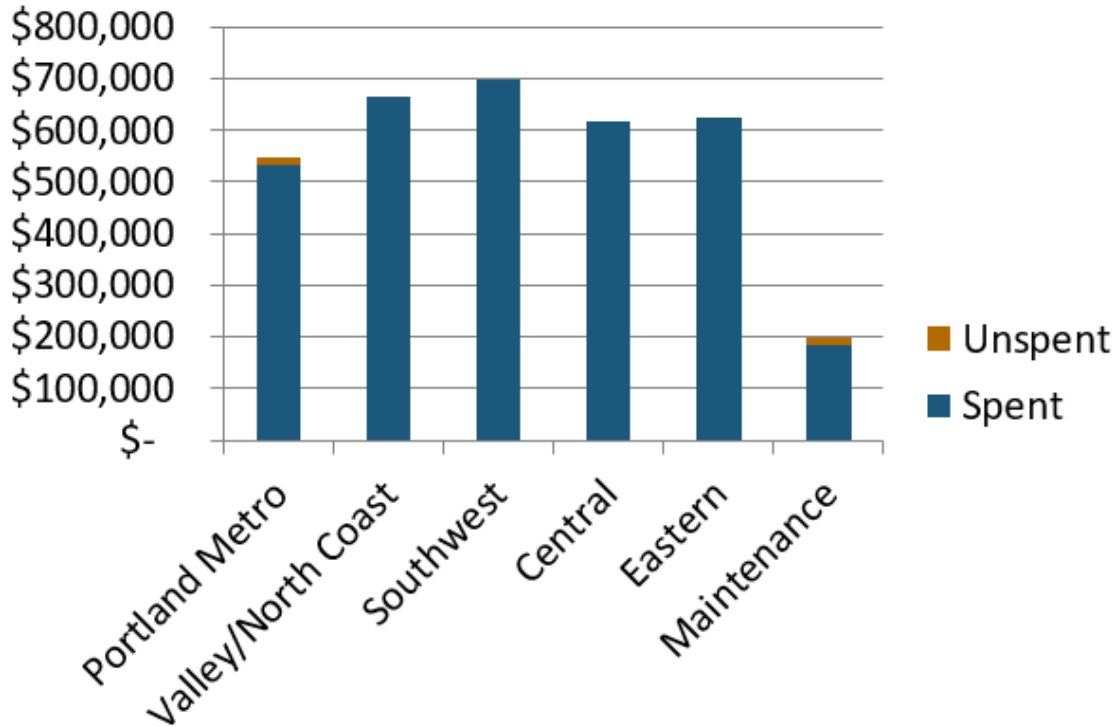
Region 4, Central : 155

Region 5, Eastern : 65

Note that while the spread of firms is not even across the state, many firms travel outside their home regions to work on contracts. The number of certified ESB firms is bolstered through a variety of outreach efforts from across the state. These efforts include participation in events such as the Governor’s Roadshow, partnering with Advocacy groups, reaching out and working with the Certification Office for Business Inclusion and Diversity at certification events. In addition, we send direct messages through a variety of channels in order to reach firms who could be qualified for participation in the ESB program.

Funding for the ESB Program is defined in statute and requires ODOT to dedicate up to one percent of its highway construction contracts to the ESB program. Funding for the 2015-2017 and the current budget for the 2017-2019 biennia is set at \$3.5 million. The budgets dedicate \$3.3 million to the ESB Project Delivery Program and \$200,000 for support services through the Small Business Management Program.

ODOT’s region and district management staff select projects based on the needs of the region of the state and the interest in creating contracting opportunities for ESB firms. In selecting projects, consideration may be given to ensuring projects do not overuse any one particular trade and that projects are evenly distributed to ESB firms across the state. In the 2015-2017 biennium, ESB firms completed 76 projects throughout the state. 95% of available funding was utilized to accomplish these projects. Here are the final expenditures for 2015-2017:



As it is clearly shown in the chart above, almost all funds were expended across the five regions of Oregon and the maintenance division. The little funds not utilized were due to cost savings and variance from the bid amount and the final cost of the projects delivered.

These projects provide needed improvements and upkeep to Oregon’s transportation assets across the state. An example of this is when ESB projects allow for added safety measures that protect drivers using our highway system. One contract led to a shoulder area on OR22 to be cleared and paved to create a de-chaining area right across from the existing chain-up area at mile marker 74. This project made it possible for a smoother flow of travelers and the safer installation and removal of equipment on vehicles coming and going through the Cascades. The contract was awarded to Mid Valley Excavation of Sublimity, Oregon for \$73,420. Construction was completed in less than four months, yielding a reliable space for Oregonians and our state’s visitors to safely remove traction chains when returning to the valley. This is one of many examples of ESB contracts making Oregon safer and improving our roadways system, while supporting local small business.

Supportive Services – Growing ESB Firms with the Small Business Development Program

Mentor-Protégé Program –

In the 2015 – 2017 biennium 11 certified ESB firms were enrolled in the Mentor

Protégé program connected to specific projects. These opportunities provided small certified firms with opportunities to develop specific skills and key pieces of knowledge to allow them to be more effective and successfully participate in the projects they were involved in as sub-contractors to their mentors. The final pairings concluded successfully in 2016 with the completion of the Sellwood Bridge project.

Faison Construction was one of the participating protégé firms who completed the program and has gone on to be a mainstay in the small business and certified firm community. James, owner of Faison Construction, has continued to take on larger portions of contracts and has stated he intends to continue to grow his business to compete as a prime contractor. These opportunities helped ensure success on the specific projects and provided the protégé firms with opportunities to utilize the skills and experience of their paired mentors. James has also expressed interest in being a mentor for future certified firms, truly bringing the success full circle within the Mentor Protégé programs.

The new iteration of the Mentor Protégé program is being conducted in partnership with the Port of Portland. While the previous program focused on project specific skills, the new version of the program is taking a more long term and intensive approach to firm development. Through the new program five certified ESB firms, the protégés, are mentored in various business topics ranging from marketing and maintaining office administration habits to on-site operations and job site management. Development of business plans, management of working capital and debt reduction are frequent topics addressed in the first year of these mentor pairings. The Mentor-Protégé program, created in response to a 2007 legislative budget note, pairs ESB firms with larger, more experienced contractors and consultants as mentors to provide additional guidance and direction to ESB firms wishing to improve their capacity to perform on ODOT-related projects. This program is three years in length, spanning across biennia, in order to provide a high quality and long lasting learning experience for qualified ESB firms.

Through the program, protégé firms expand their professional network of potential business partners, learn to seek out resources to bridge identified business knowledge and management gaps and meet a host of active, committed business and technical contacts, which can enrich the protégé's business practices as they grow. Evidence of a long-term positive impact will be the emergence of these firms as they enter the ODOT bidder pool as active participants, thus increasing competition, potentially moderating prices and delivering higher quality projects.

Access to Capital – The Access to Capital workshop is a learning opportunity for certified firms that is provided in conjunction with Chemeketa Community College and the Small Business Development Center Network (SBDC). This workshop will assist up to 83 ESB firms this biennium in learning how to more effectively access the fiscal resources needed to run a business. Be it a loan for new equipment, capital to cover operating expenses while in the construction phase or how to scale up a business; accessing capital is one of the most popular learning sessions

requested by ESB firms. By providing this workshop multiple times over the 2017-2019 biennium, ESB firms will have the opportunity to learn of the different resources available to them and how better to grow their businesses.

Summary

ODOT's ESB Program assists emerging small businesses in overcoming barriers to competing for public improvement and maintenance contracts. The ESB Advisory Committee will continue working with and monitoring the ESB Program to ensure that project delivery and supportive services aspects of the program continue to provide benefits to the ESB community across the state, resulting in more experienced firms that are competitive and ensure Oregonians continue to receive quality projects at fair market value.