

The Research and Economic Development Center

Erie, Pa



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Summary Book	



Industry Research Topic

WBE/MBE Solicitation

During this year's Thesis work, I examined the WBE/MBE contractor solicitation process. This is the process whereby all contractors who wish to bid on any DGS project need to solicit bids for subcontracted work from minority and women owned businesses. I intended to find out whether requiring this is deemed fair by prime contractors, if they increase their bids due to being forced to provide this extra work, and if there are any other issues with respect to the solicitation process.

I would like to this research to show The Office of Physical Plant and the Department of General Services the price of mandating WBE/MBE soliciting and forms during the prebid process.

I intended to delve into the solicitation process. A survey was sent to a selected list of general contractors, from the Office of Physical Plant's contractor database, who have bid on DGS projects in the recent past. A rough list of planned questions for this survey can be found in Appendix X. The key parts to my research will be the process review, the survey analysis, and a summary.

Background:

For State funded projects such as my thesis building and many other Penn State University building projects, the Department of General services requires contractors bidding on a project to solicit to Women and Minority Owned Businesses (MBE/WBE) for quotations for work. The goal of this program is to secure documentation that ensures that the Bidder has not discriminated against MBE and WBE subcontractors and suppliers in the Bidder's solicitation of and commitments to subcontractors and suppliers. This means that contractors must go outside their normal suppliers and subcontractors during the bidding phase to solicit work. Then documentation of all solicitations to these businesses must be submitted with bids. If this documentation is not up to DGS standards then the bid will be dismissed. A copy of the form for the solicitation process can be found on the General Service's website at <http://www.dgs.state.pa.us/bcabd/site/default.asp>.

The reason that this issue is so important is because this requires extra work during the prebid process. This also can result in contractors working with subcontractors and suppliers that they may have no relations with prior to this project, which could increase the risk that said contractor carries. Both of these issues may lead the contractor to mark up their bid; first due to extra work and second due to increased risk.

The last issue that could arise due to this process is one which the Office of Physical Plant encountered over the summer. All of the bidding contractors for two separate projects did not fill out the solicitation form properly. This caused all bids for both jobs to be thrown out and the project to be rebid. Now the owner is set behind schedule, the bid packages must be revised, and contractors must reinvest their time for the bidding process. This leads, not only to project delays, but also higher costs both to bidders and the owner.

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Research Intent:

The intent of this research is to devise if the requirement for WBE/MBE solicitation results in higher bids. I wished to find out whether requiring this is deemed fair by prime contractors, if they increase their bids due to being forced to provide this extra work, and if there are any other issues with respect to the solicitation process.

I would like to be able to use this research to show The Office of Physical Plant and the Department of General Services the price of mandating WBE/MBE soliciting and forms during the prebid process. The key points of my research are as follows:

- Research into the existing solicitation process.
- An initial survey to test my survey on several contractors that are currently working on state funded projects.
- This survey after being refined was sent to a selected list of contractors, from the Office of Physical Plant’s contractor database, who have bid on DGS projects in the recent past. (found in Appendix 1)
- After the surveys had been returned, I collated and organized the responses by type and answer.
- A summarization was made from the surveys which is presented in an upcoming section, and will be given to the Director of Design and Construction at the Office of Physical Plant.

I expected that contractors that fall under the WBE/MBE classification will be happy with the process. I also believed that the other contractors would think that the process is fair but would still increase their bids by a marginal percentage due to the extra work.

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Survey Results:

Below are the results for each contractor that responded to my survey.

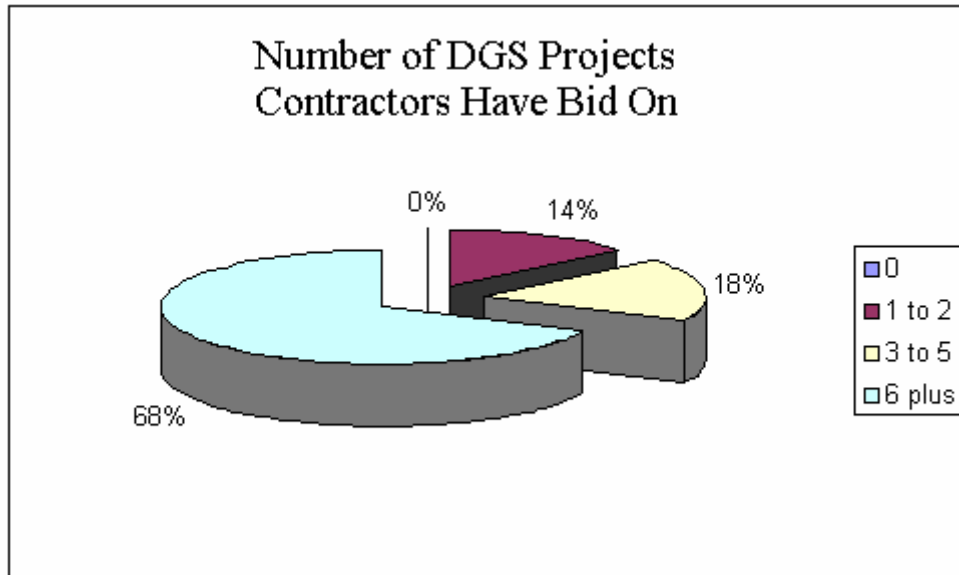


Survey #	WBE/MBE Contractor?	Bid on DGS Project?	How Many Projects?	Paperwork increase pre-bid time?	Increase bid due to this?	Increase %?	Fair Requisite?	Hired subs?	Good Contract?	Requisite Working?
1	N	Y	3 or 5	Y	Y	15000 to 45,000	both	Y	N	N
2	N	Y	6+	Y	N	-	N	Y	N	N
3	N	Y	6+	Y	Y	3-10%	both	Y	N	Y
4	N	Y	6+	Y	N	-	Y	N	-	N
5	N	Y	6+	Y	N	-	N	Y	Y	Y
6	N	Y	1 or 2	Y	N		N	N	-	N
7	N	Y	6+	Y	N	-	Y	Y	Y	Y
8	N	Y	0	Y	N	-	N	Y	Y	N
9	N	Y	3 or 5	Y	N		N	Y	N	N
10	N	Y	6+	Y	Y	1% plus	N	Y	Y	N
11	N	Y	1or2	Y	N		N	Y	Y	N
12	N	Y	6+	Y	N		N	Y	Y	N
13	N	Y	6+	Y	Y	.5 - 1%	N	Y	Y	N
14	N	Y	3 or 5	Y	Y	5 - 7%	N	Y	Y	N
15	N	Y	6+	Y	Y	5%	N	Y	N	N
16	N	Y	6+	Y	Y	proportional to work size	Y	Y	N	N
17	N	Y	6+	Y	Y	1-3%	Y	Y	Y	N
18	N	Y	6+	Y	N		N	Y	Y	Y
19	N	Y	6+	Y	Y	varies by project	Y	Y	N	N
20	N	Y	3 or 5	Y	Y	depends on size	N	Y	N	N
21	N	Y	6+	Y	N		N	Y		N
22	N	Y	6+	Y	Y		N	Y	Y	N



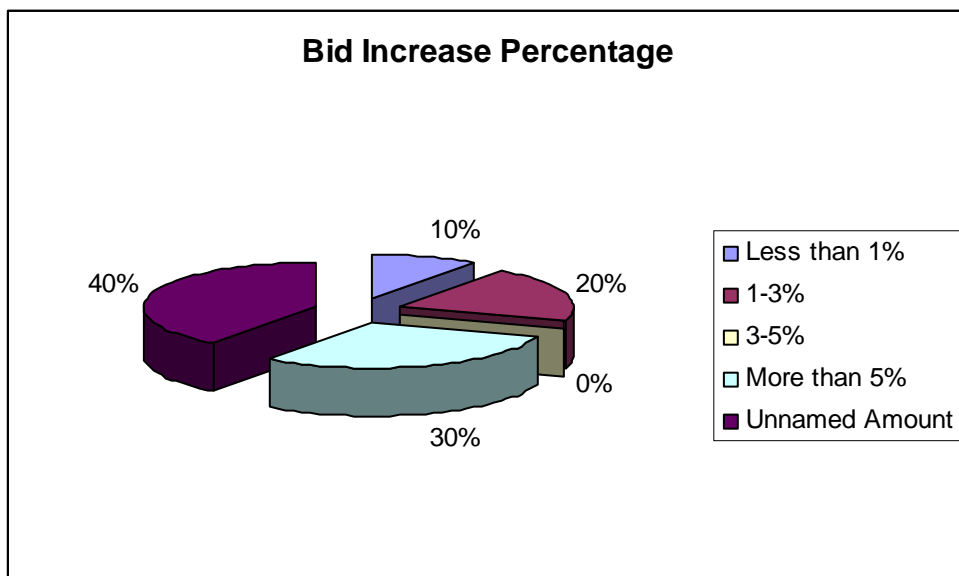
There are a number of interesting things that resulted from this survey. It is very important to note though that there were no WBE/MBE Contractors that responded to this survey although I did get 23 companies to respond.

- All respondents have bid on at least one project



As shown, 68% of the contractors that responded have bid on at least 6 projects.

- All of the Contractors admit that WBE/MBE Contractor Solicitation increases the time that is required in the pre-bid processes.
- Of those 46% increase their bids





- 71% of the contractors think that WBE/MBE Contractor Solicitation is an unfair bidding requirement.
- 91% said that they have used subs that they normally would not have due to the solicitation results.
 - If these only 58% of those contracts were considered successful by the Contractors.
- 83% of the respondents replied that WBE/MBE Contractor Solicitation is not working as DGS intended for the following reasons:
 - The WBE/MBE Subcontractors are not properly qualified.
 - The WBE/MBE Subcontractors do not respond to solicitation attempts enough.
 - The resulting bids that the WBE/MBE Subcontractors offer are typically not viable bids.
 - Many Contractors feel that this program does not help truly disadvantaged businesses and is therefore corrupt.
 - Other contractors feel that there should be no difference between “disadvantaged businesses” and other companies.

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Conclusion:

The responses to my survey were almost all that I hoped for. I was looking for at least 20 respondents with at least 3 of these being WBE/MBE contractors. Although I got no responses from the women and minority businesses (which is interesting because that is the same problem that most of the other contractors had difficulties with), I still got very conclusive responses from the contractors that do not fall into this category.

I had originally thought that most of the contractors would say that the process was fair, although in my opinion it is not. It came as somewhat of a shock to learn that 71% of them said it was not. Not only that, 81% said that the process itself is not working. Most complained of the unqualified abilities of the WBE/MBE subcontractors as well as them not responding to bid requests. One respondent wrote, “It is hart to use the subcontractors if only 5% of them respond and only 5% of those that respond have a viable bid quote.”

The most important thing that I learned, and the most relevant to my “client audience” (Office Of Physical Plant), it that 45% of contractors that are required to bid on projects requiring WBE/MBE Solicitation increase their bid. On average the bids will be roughly 4% higher than regular. This means that in general you will be paying 1.8% more on DGS project that require WBE/MBE solicitation.