

Calendar Year 2020 Voluntary Incentive Program Pilot **INTERIM REPORT - May 2021**

Introduction:

In February 2018, the Federal Highway Administration (FHWA) approved the Michigan Department of Transportation (MDOT) On-the-Job Training (OJT) Program Voluntary Incentive Pilot (VIP) Program proposal, along with the Special Experimental Project (SEP) Number 14 Work Plan. MDOT's SEP-14 Work Plan was programmatically approved for evaluation under SEP-14 from Calendar Year (CY) 2018 through CY 2021.

The SEP-14 request proposes to offer and apply bid incentives (deductions from the bid amount) for selected projects to bidders who have voluntarily worked their OJT employees more hours than the established baselines and/or hired and worked more OJT employees than their required allocation. This SEP-14 request intends to help achieve improved outcomes for minority and disadvantaged individuals' entry and participation into the construction skilled trades while also determining if this can be achieved without unduly affecting competition by applying a specific approach based on the contractor-centered model of how we currently administer the federal aid OJT Program.

In January of 2021, FHWA approved MDOT's request for a one-year extension of the 2018 approval of the OJT-VIP Pilot Program. FHWA has approved the MDOT extension request through CY 2022.

Voluntary Incentive Program (VIP) Pilot Schedule:

| | |
|---|--|
| January 2018 | <p>MDOT determined and communicated the OJT allocation for contractors for CY 2018 (January - December 2018) according to OJT program procedures.</p> <p>MDOT determined and communicated a list of incentive year projects for consideration of inclusion in the OJT VIP Pilot program.</p> |
| CY 2018 January 2018 – December 2018 | <p>Contractors employed OJTs and worked them according to the hours and provisions in the OJT VIP Pilot Program Procedures if they intended to voluntarily pursue OJT VIP bid incentives in Incentive Year (IY) 1.</p> |
| January 2019 | <p>MDOT evaluated contractor compliance with the OJT VIP Pilot Program Procedures and determined the total number of qualifying OJT employee hours for CY 2018 and associated bid incentive for IY 1. Contractors were notified and all determinations were made publicly available by February 1 at www.Michigan.Gov/OJT.</p> |
| CY 2019 January 2019 – December 2019 | <p>Contractors employed OJTs and worked them according to the hours and provisions in the OJT VIP Pilot Program Procedures if they intended to voluntarily pursue OJT VIP bid incentives in IY 2.</p> |
| IY 1 March 2019 - February 2020 | <p>Contractors applied their bid incentives to projects selected by MDOT in accordance with the Special Provisions. There was 1 selected VIP Pilot Project for IY 1.</p> |
| January 2020 | <p>MDOT evaluated contractor compliance with the OJT VIP Pilot Program Procedures and determined the total number of qualifying OJT employee hours for CY 2019 and associated bid incentive for IY 2. Contractors were notified and all determinations were made publicly available by February 1 at www.Michigan.Gov/OJT.</p> |
| IY 2 March 2020 – February 2021 | <p>Contractors applied their bid incentives to projects selected by MDOT in accordance with the Special Provisions. There were 4 selected VIP Pilot Projects for IY 2.</p> |

OJT VIP Pilot SEP-14 Evaluation and Report:

1. MDOT's VIP Pilot had four incentive projects for Incentive Year 2 (March 2020 – February 2021).

MDOT has evaluated the bidding process:

| Project | Number of Bidders | Bid | Number of Bidders that elected to apply their bid incentive | Did the bid incentive change the outcome of who was the successful low bid? |
|--------------|-------------------|--------------|---|---|
| 82024-113553 | 4 | \$29 Million | 3 | No |
| 20051-85541 | 2 | \$65 Million | 1 | No |
| 81104-210043 | 3 | \$16 Million | 2 | Yes |
| 44044-210066 | 3 | \$28 Million | 3 | No |

The average number of bidders on projects between \$15M - \$65M over FY 2019 and FY 2020 was 2.9. The average number of bidders on these four OJT projects was 3.0.

All four of the above OJT VIP Pilot projects went through the UBR (unbalanced bid review) process and no anomalies were identified.

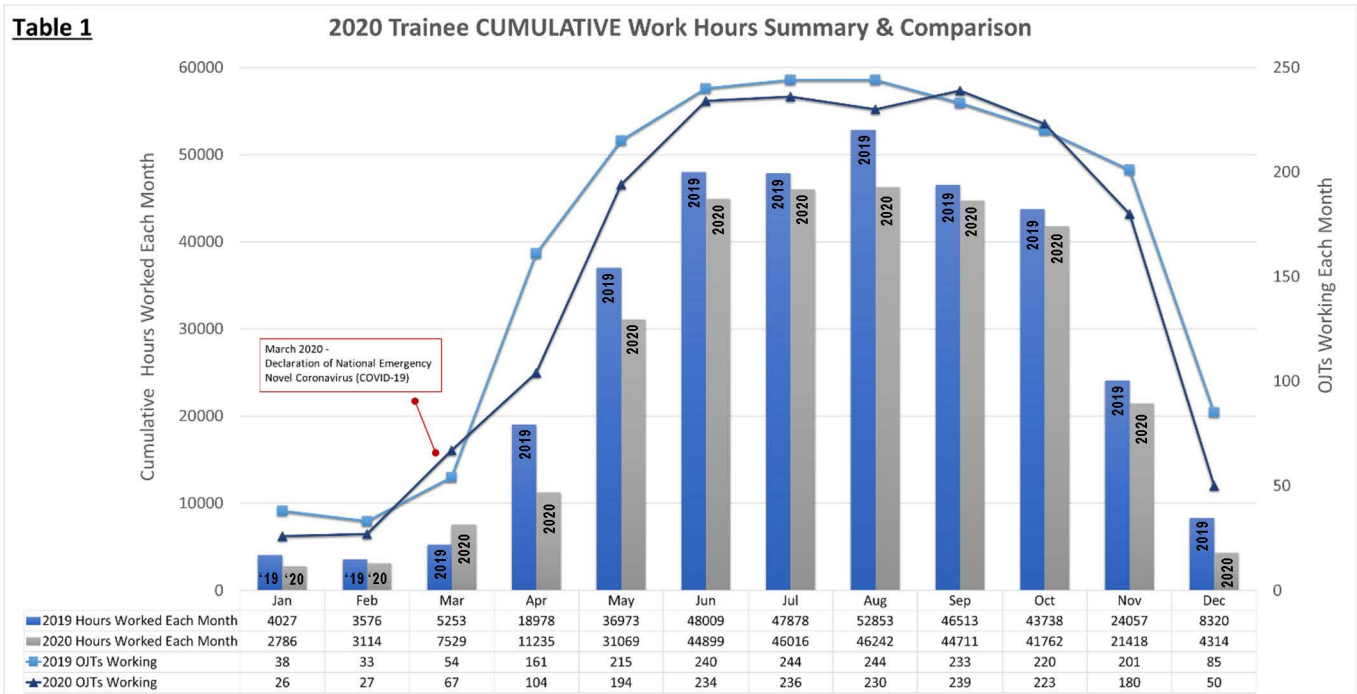
2. MDOT has evaluated the hiring practices by contractors for CY 2020:

- a. CY 2020 OJT Program performance was greatly impacted by the Novel Coronavirus (COVID-19) National Emergency issued on March 13, 2020. This National Emergency caused interrupted work schedules and limited OJTs from obtaining the necessary training hours because of supply chain interruptions and staffing, along with project safety protocols. This ultimately resulted in fewer trainees working and cumulatively fewer hours worked. Additionally, labor disputes continued to have a slight impact on a few OJT Program contractors.

The start of Michigan's construction season is weather dependent, typically starting in March of each calendar year. The data below shows the increase in trainees and hours worked as MDOT Contractors start off the typical construction season.

Table 1 summarizes the number of OJTs working each month and the cumulative number of hours worked each month in 2020 in comparison to 2019.

A comparison of the March and April data in Table 1 shows the initial impact to trainees working and hours worked as a direct result of the national emergency. While OJTs do return to work with COVID-19 enforced safety measures and protocols, the number of trainees working each month and the cumulative number of hours worked each month remain below 2019 numbers.



Graph 1 summarizes the cumulative number of hours worked by OJTs each year from 2015 through 2020 as a comparison.

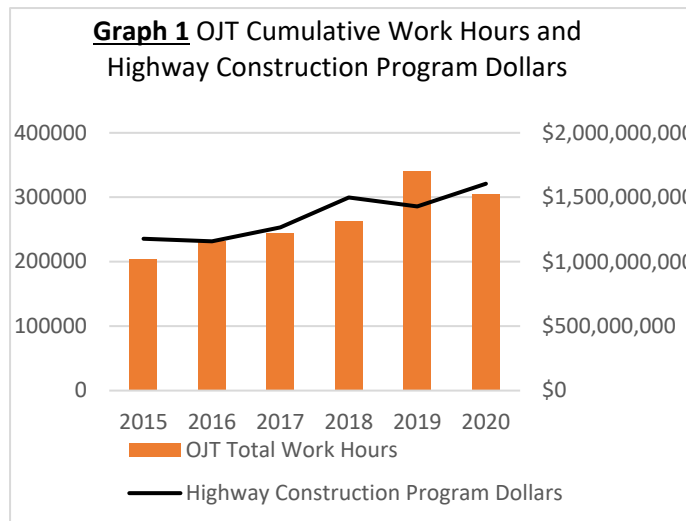
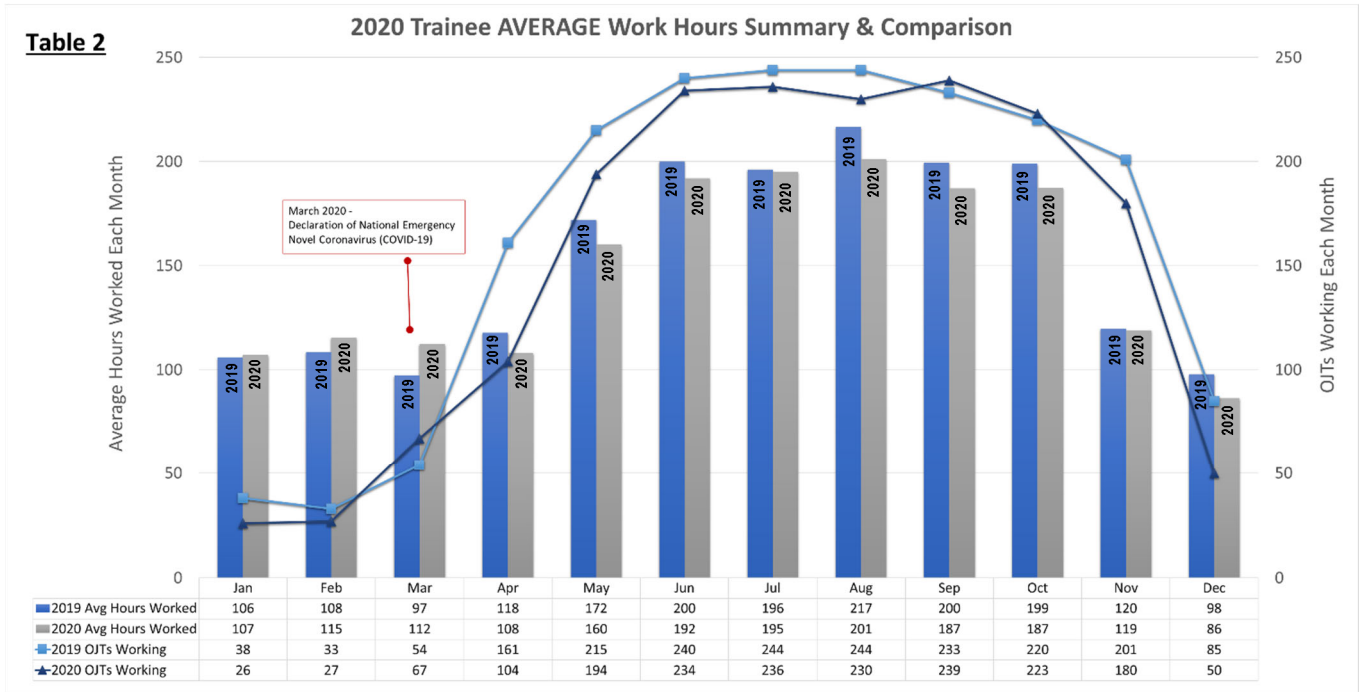


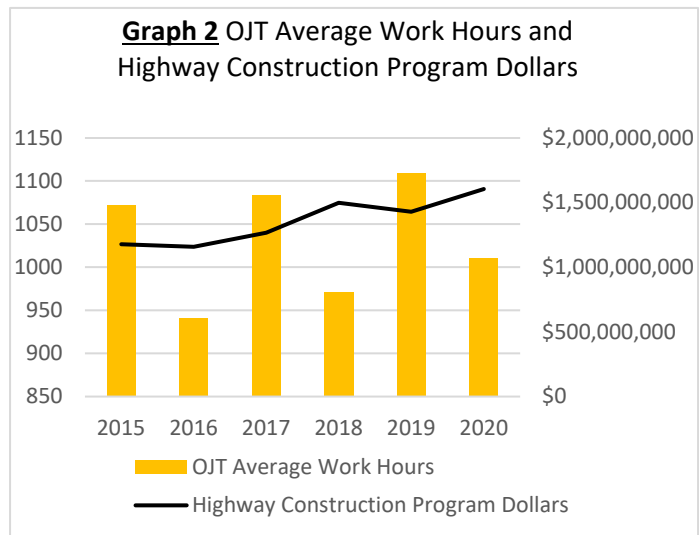
Table 2 summarizes the number of OJTs working each month and the average total number of hours worked each month in 2020 in comparison to 2019.



The January, February, and March data trend in Table 2 shows an increased average number of work hours for trainees at the beginning of the 2020 construction season.

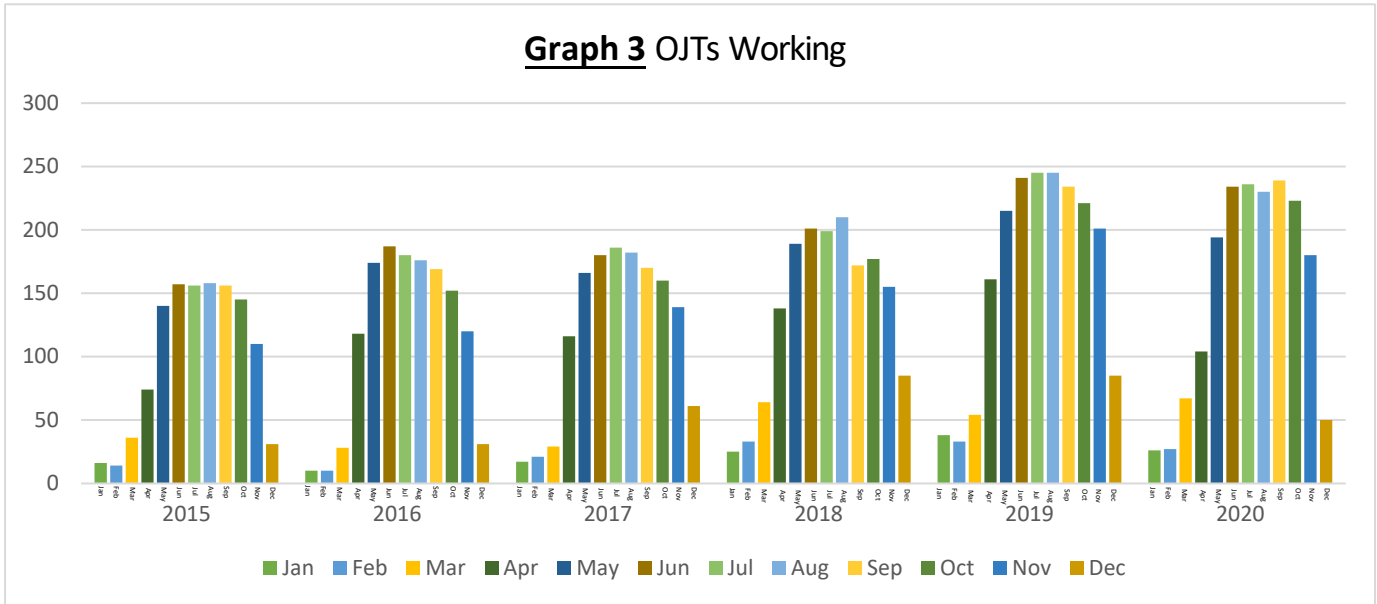
Like the data in Table 1, a comparison of the March and April data in Table 2 shows the impact to trainees working and the average number of hours worked as a direct result of the national emergency. While OJTs do return to work with COVID-19 enforced safety measures and protocols, the number of trainees working each month and the average number of hours worked each month remain below 2019 numbers.

Graph 2 summarizes the average number of hours worked by OJTs each year from 2015 through 2020 as a comparison.



While OJT Program performance was down slightly due to the pandemic, the number of OJTs working are above pre-VIP Pilot years.

Graph 3 summarizes the number of OJTs working each month from 2015 through 2020.



- b. The number of contractors who voluntarily hired additional OJT employees in CY 2020 was 26.
- c. A total of 295 trainees worked in CY 2020 compared to 302 in CY 2019. Eighty-one (27%) of the 295 trainees in CY 2020 were VIP Trainees.

Graph 4 summarizes the number of OJTs placed each year from 2015 through 2020 and the correlating highway construction program dollars.

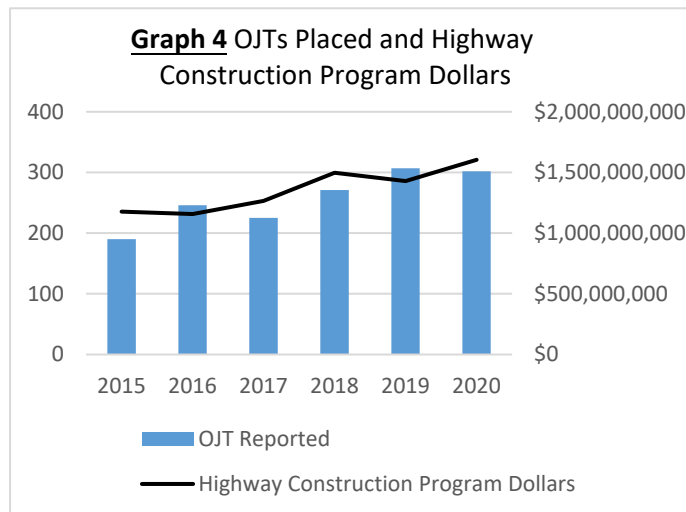


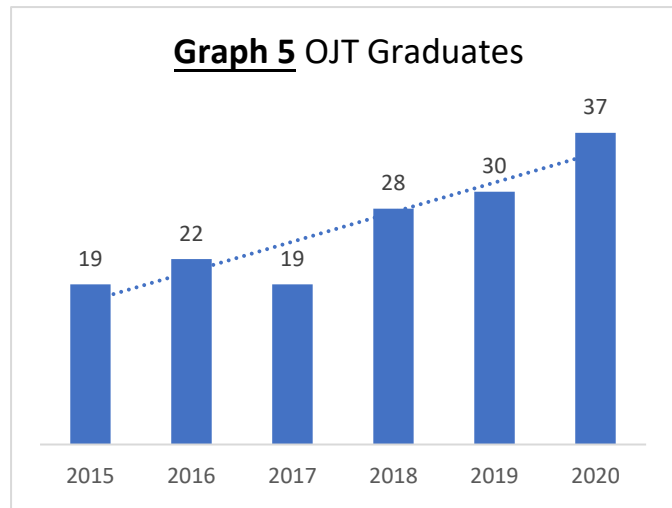
Table 3 relates to Graph 4 and shows the actual highway construction program dollars with the associated % of change from years 2015 through 2020.

| Year | Highway Construction Program Dollars | % of Change |
|------|--------------------------------------|-------------|
| 2015 | \$1,177,614,632 | 0 |
| 2016 | \$1,158,286,938 | 98% |
| 2017 | \$1,265,734,179 | 109% |
| 2018 | \$1,497,647,306 | 118% |
| 2019 | \$1,428,920,461 | 95% |
| 2020 | \$1,604,971,078 | 112% |

- d. MDOT’s OJT Program trainees must meet the required training hours as identified in their training program to be eligible for program completion. Training program hours vary by trade. Currently MDOT’s shortest training program requires 1,800 hours of training and the longest training program requires 8,000 hours of training, MDOT’s OJT programs range from 1,800 hours – 8,000 hours with the majority of OJTs participating in a 4,000 hour (3-4 year) program. In CY 2020, a total of 37 trainees graduated in CY 2020 compared to 30 in CY 2019.

OJT graduate numbers continue to increase compared to years prior to the VIP Pilot. It is anticipated that we will see a similar or even larger number of graduates in 2021 as many OJTs began their training in 2018 and 2019.

Graph 5 summarizes the number of graduates from 2015 through 2020.



- e. MDOT’s OJT retention data reflects the typical Michigan construction season where the majority, if not all, OJTs experience seasonal layoff. Retention data for prior year graduates is available as the Michigan construction season starts up again each calendar year.

Of the 30 Graduates in CY 2019, 26 (87%) were retained in CY 2020 as permanent employees by the contractor.

Of the 26 Graduates retained in CY 2020, all remained in the heavy construction skilled trades.

- f. Based on interviews with OJTs, one factor or consideration that the trainees are aware of that may have been a result of the pilot specifications was the contractor's ability to place the trainee earlier in the season and work them longer throughout the construction season. Consideration should also be given to barriers some trainees faced during the COVID-19 pandemic. It appears while some trainees benefited from a longer working season, others were not able to work as much as anticipated as a result of employment barriers caused by the pandemic. Such barriers are the closure of school districts across the state and the closure of childcare facilities to prevent the spread of the COVID-19 virus.

3. MDOT has evaluated the overall program impacts of the OJT VIP Pilot for Incentive Year 2 (March 2020 – February 2021).

- a. The number of contracts included in the pilot for Incentive Year 2: **4**
- b. The average number of bidders for projects in the pilot is: **3**
- c. The average number of bidders who qualified for and used their OJT VIP bid incentive: **2.25**
- d. Number of contracts in which the OJT VIP bid incentive changed the outcome of which contractor was determined to be the lowest responsive bidder: **1 (25%)**
- e. The data below shows the awarded contract amounts compared to the Engineer's Estimate for each project. The bid incentive does not appear to have an impact on the bid prices.

| Project | Engineer's Estimate (million) | As Submitted Bid (million) | Exceeded Engineer's Estimate | Bid Incentive Used | As-Checked-Bid Incentive (million) | Bid Incentive changed the outcome of successful low bidder |
|--------------|-------------------------------|----------------------------|------------------------------|--------------------|------------------------------------|--|
| 82024-113553 | \$32.9 | \$29.9 | No | \$0 | \$29.9 | No |
| 20051-85541 | \$60.6 | \$65.4 | Yes | \$0 | \$65.4 | No |
| 81104-210043 | \$15.1 | \$16.6 | Yes | \$500,000.00 | \$16.1 | Yes |
| 44044-210066 | \$30.6 | \$28.2 | No | \$500,000.00 | \$27.7 | No |

