

Calendar Year 2022 Voluntary Incentive Program Pilot

INTERIM REPORT - May 2023

Introduction:

In February 2018, the Federal Highway Administration (FHWA) approved the Michigan Department of Transportation's (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 2022.

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 additional hours than the established baselines and/or hired and worked additional OJT employees more than their required allocation. This SEP-14 request intends to help achieve improved outcomes for minority and disadvantaged individuals' entry and participation in 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 2022, 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 2023.

VIP Pilot Schedule:

Calendar Year (CY) 2018

Incentive Year (IY) 1

March 2019 - February 2020

Performance earns an incentive for use in incentive year
March 2019 – February 2020

Contractors apply their bid incentives to projects selected
by MDOT in accordance with the Special Provisions.

There is one selected VIP Pilot Project for IY 1.

Calendar Year (CY) 2019

Incentive Year (IY) 2

March 2020 - February 2021

Performance earns an incentive for use in incentive year
March 2020 – February 2021

Contractors apply their bid incentives to projects selected
by MDOT in accordance with the Special Provisions.

There are four selected VIP Pilot Projects for IY 2.

Calendar Year (CY) 2020

Incentive Year (IY) 3

March 2021 – February 2022

Performance earns an incentive for use in incentive year
March 2021 – February 2022

Contractors apply their bid incentives to projects selected
by MDOT in accordance with the Special Provisions.

There is one selected VIP Pilot Project for IY 3.

Calendar Year (CY) 2021

Incentive Year (IY) 4

March 2022 – February 2023

Performance earns an incentive for use in incentive year
March 2022 – February 2023

Contractors apply their bid incentives to projects selected
by MDOT in accordance with the Special Provisions.

There are five selected VIP Pilot Project for IY 4.

Calendar Year (CY) 2022

Incentive Year (IY) 5

March 2023 – February 2024

Performance earns an incentive for use in incentive year
March 2023 – February 2024

Contractors apply their bid incentives to projects selected
by MDOT in accordance with the Special Provision.

There are twelve proposed VIP Pilot Projects for IY 5.

OJT VIP Pilot SEP-14 Evaluation and Report:

1. MDOT's VIP Pilot had five incentive projects for IY 4 (March 2022 - February 2023).

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?	Letting Date
82062-210083	2	\$ 17,888,328.90	2	No	5/6/2022
81076-205652	3	\$ 69,272,041.54	3	No	9/2/2022
50051-210076	2	\$ 22,648,059.19	2	No	9/2/2022
77023-201409	2	\$ 26,817,672.69	2	No	11/4/2022
33083-204907	5	\$ 43,320,741.69	2	No	12/2/2022

The average number of bidders on projects between \$10 million - \$70 million was 3.2 in FY 2021 and in 3.5 in FY 2022. The average number of bidders on these five OJT projects is 2.8.

All five of the above OJT VIP Pilot projects went through the Unbalanced Bid Review (UBR) process and no anomalies were identified.

2. MDOT has evaluated the hiring practices by contractors for CY 2022:

- a. CY 2022 OJT Program performance continued to be impacted by the Novel Coronavirus (COVID-19) Pandemic. While businesses began opening again as pandemic safety measures were slowly lifted, work schedules, supply chain interruptions and staffing remain impacted. MDOT’s OJT Program saw an increase in the number of OJTs working and the average hours worked for the majority of CY 2022.

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 2022 in comparison to 2021. **Attachment 1** summarizes contractor’s CY 2021/2022 OJT Hours.

The data in Table 1 shows an increased number of OJTs working for all months in CY 2022. The trainee cumulative work hours increased for all months in CY 2022.

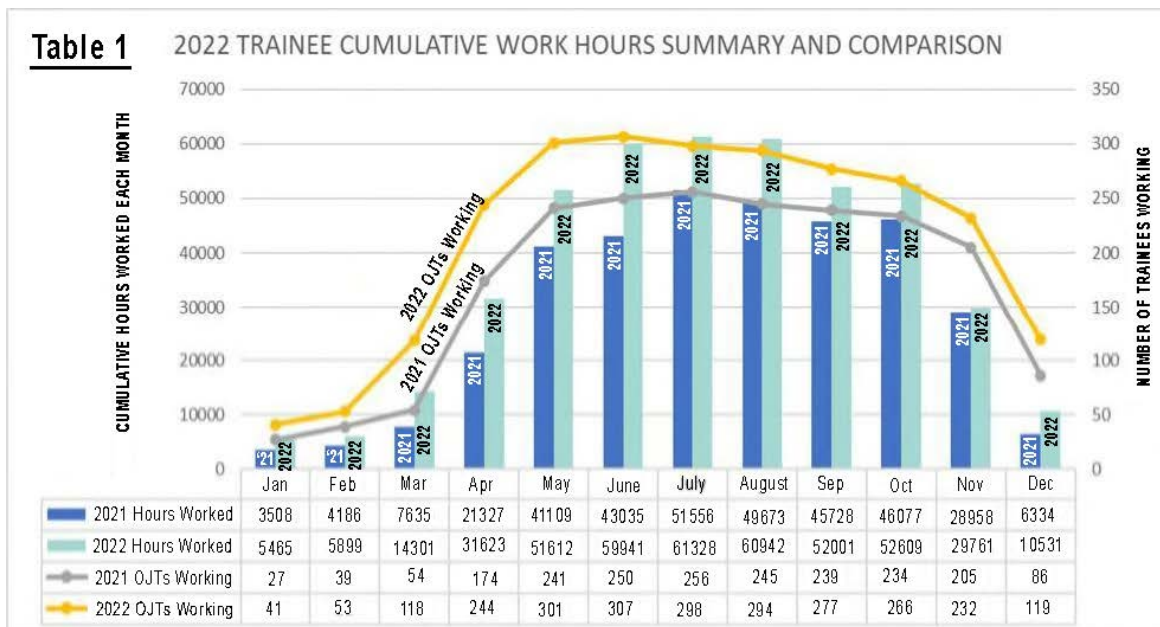
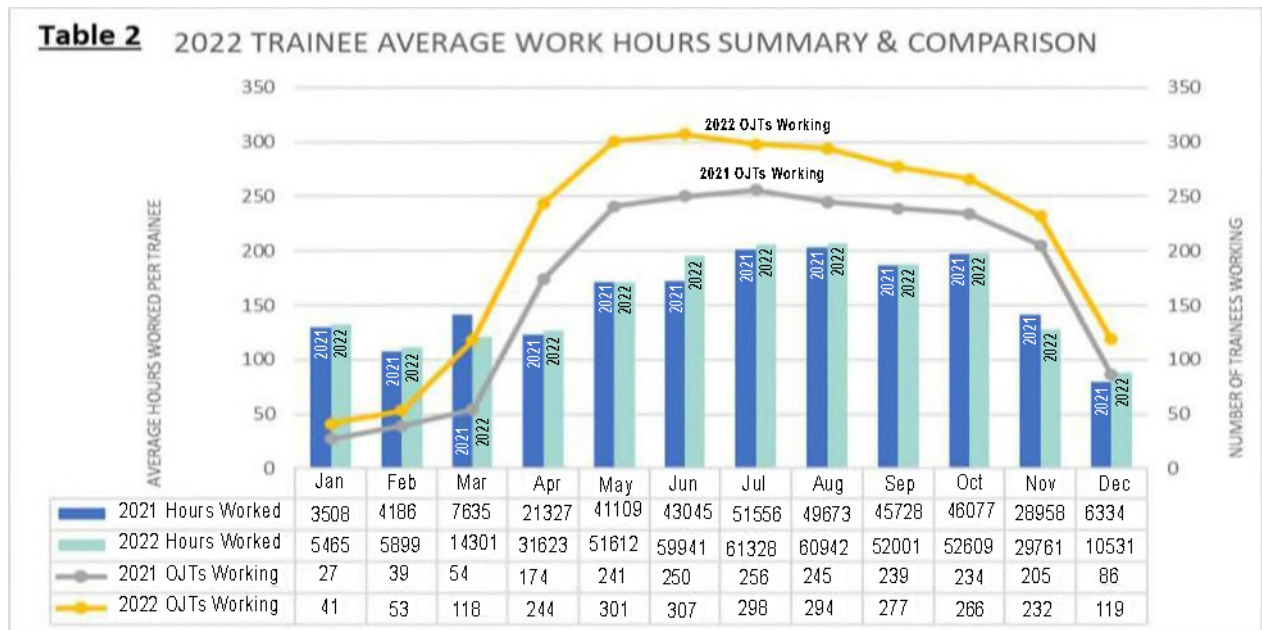


Table 2 summarizes the average hours worked per month for each OJT trainee in 2022 in comparison to 2021.

The data in Table 2 shows an increased number of OJTs working for all months in CY 2022. Additionally, the average number of hours these trainees worked increased or stayed the same for all months in CY 2022 except for November.



- b. The number of contractors who voluntarily hired additional OJT employees in CY 2022 was 65.
- c. A total of 392 trainees worked in CY 2022, compared to 329 in CY 2021. 127 (32 percent) of the 392 trainees in CY2022 were VIP Trainees. From CY 2021 to 2022, the OJT Program retained 211 (64 percent) trainees total.
- 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 while the longest training program requires 8,000 hours of training. In CY 2022, The degree of compliance with the OJT Program Procedures were met by 22 contractors who graduated 45 trainees.

e. MDOT’s OJT retention data reflects the typical Michigan construction season where the majority of, 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 45 graduates in CY 2022, 43 (96 percent) were reported as retained in CY 2022 as permanent employees by the contractor. It is anticipated that retainage numbers will increase as the industry starts back up and graduates return to work from the layoff season.

- f. Of the 43 graduates reported as retained in CY 2022, all remained in the heavy construction skilled trades with their employer.
- g. Factors or considerations that the trainees are aware of that may have been a result of the pilot specifications is the contractor’s ability to place the trainee earlier in the season and work them longer throughout the construction season. Additionally, trainees have reported being able to work on various projects and different crews because of staffing impacted by the pandemic. Contrariwise, some trainees faced barriers as a direct result of the pandemic that prevented them from working as much as they would have liked to. Some of these barriers were limited childcare options, virtual-only option for school age children, and continuous changes in pandemic safety protocols throughout 2022.

3. MDOT has evaluated the overall program impacts of the OJT VIP Pilot for IY 4 (March 2022 - February 2023).

- a. The number of contracts included in the pilot for IY 4: **5**
- b. The average number of bidders for projects in the pilot: **2.8**
- c. The average number of bidders who qualified for and used their OJT VIP bid incentive: **2.2**
- d. Number of contracts in which the OJT VIP bid incentive changed the outcome of which the contractor was determined to be the lowest responsive bidder: **0**
- 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 the successful low bidder
82062-210083	\$16.4	\$17.9	Yes	\$500,000	\$17.4	No
81076-205652	\$57.9	\$69.3	Yes	\$500,000	\$68.8	No
50051-210076	\$20.6	\$22.6	Yes	\$500,000	\$22.1	No
77023-201409	\$24.4	\$26.8	Yes	\$500,000	\$26.3	No
33083-204907	\$40.4	\$43.3	Yes	\$0	\$43.3	No

Attachment 1: OJT VIP Pilot SEP-14 Evaluation Process: Section 5.0 Paragraph 2.a.

Contractors:	CY 2021 OJT Hours	CY 2022 OJT Hours	Hour Difference
Ace Saginaw Paving Company	8582	11800.71	↑ 3218.71
Action Traffic Maintenance, Inc.	2775.16	10563.15	↑ 7787.99
Ajax Paving Industries, Inc.	32546	36054.25	↑ 3508.25
Angelo Iafrate Construction Co.	6537.75	9174	↑ 2636.25
Anlaan Corporation	6628	13845.5	↑ 7217.5
Atsalis Brothers Painting Co.	709.05	0	↓ -709.05
Bacco Construction Co.	8484.75	4982.5	↓ -3502.25
Black Swamp Steel, Inc.	2322.5	1106	↓ -1216.5
Bolen Asphalt Paving, Inc.	1003.25	1035.75	↑ 32.5
Brenner Excavating, Inc.	1099.25	2004	↑ 904.75
C & D Hughes, Inc.	4427.5	3380	↓ -1047.5
C.A. Hull Company, Inc.	24716	28591.16	↑ 3875.16
Cadillac Asphalt, LLC.	31402.08	26974.97	↓ -4427.11
Central Asphalt, Inc.	0	2583	↑ 2583
Cipparrone Contracting, Inc.	1684.5	3076.75	↑ 1392.25
Civil Coating and Construction Inc. (NEW)		8	↑ 8
D.J. McQuestion & Sons, Inc.	2081.75	2805.25	↑ 723.5
Dan's Excavating, Inc.	37721.54	56204.5	↑ 18482.96
Davis Construction, Inc.	3569.5	5288	↑ 1718.5
Diane Dukes, Inc.	907	296.5	↓ -610.5
Elmer's Crane & Dozer, Inc.	2732.5	3006.76	↑ 274.26
F and M Concrete Construction LLC	1219	2596.73	↑ 1377.73
Fahrner Asphalt Sealers, LLC	2444.45	3278	↑ 833.55
Florence Cement Company	5280.25	4050.5	↓ -1229.75
Gerken Paving, Inc.	1073.5	935.5	↓ -138
Give 'em A Brake Safety, LLC	3233.82	8503.33	↑ 5269.51
GM & Sons, Inc.	446	335.5	↓ -110.5
Grand River Construction, Inc.	646	1726	↑ 1080
Hardman Construction, Inc.	3063.5	2296	↓ -767.5
Herbert Construction, Inc.	0	0	→ 0
Hoffman Bros., Inc.	12424.5	17682.5	↑ 5258
Homrich Wrecking, Inc. (2021 Only)	0		→ 0
Interstate Highway Construction (2021 Only)	0		→ 0
J & N Construction, LLC	6841	3809.5	↓ -3031.5
J. Ranck Electric, Inc.	3595	3159.5	↓ -435.5
JV Contracting, Inc.	0	1103	↑ 1103
Kalin Construction Co., Inc.	1321.98	4081	↑ 2759.02
Kammaing & Roodvoets, Inc.	6772.75	6068.75	↓ -704
Lakeland Asphalt Corporation	2048.27	2049.04	→ 0.77
Lois Kay Contracting Co.	1411.25	1727	↑ 315.75
M & M Excavating Co., Inc.	6969	7044.27	↑ 75.27
M.L. Chartier Excavating, Inc. (NEW)		1626.25	↑ 1626.25
Martin J. Concrete, Inc.	2345.92	3235.76	↑ 889.84
Merlo Construction Company, Inc.	665	1453.25	↑ 788.25

Contractors:	CY 2021 OJT Hours	CY 2022 OJT Hours	Hour Difference
Michigan Paving & Materials Company	28305.75	27656.02	↓ -649.73
Milbocker & Sons, Inc.	3885.5	6485	↑ 2599.5
Miller Bros. Construction, Inc. (NEW)		438	↑ 438
Motor City Electric Utilities Co.	1063.5	2806	↑ 1742.5
Nashville Construction Company	1356.5	2191	↑ 834.5
P.K. Contracting, Inc.	7525.5	11071.77	↑ 3546.27
Pavement Maintnance Systems, LLC	0	0	⇒ 0
Payne & Dolan, Inc.	3758.25	5025.5	↑ 1267.25
Pro-Line Asphalt Paving Corp.	3074.5	3833	↑ 758.5
Pyramid Paving and Contracting Co.	2186.55	2574.95	↑ 388.4
Rauhorn Electric, Inc.	1744	2494.75	↑ 750.75
Rieth-Riley Construction Co., Inc.	25725	27275	↑ 1550
S. Hayes, Inc (NEW)		0	⇒ 0
Scodeller Construction, Inc.	964.24	1196.51	↑ 232.27
Severance Electric Co., Inc.	2026	2186	↑ 160
Smith's Waterproofing LLC	928.84	0	↓ -928.84
State Barricades, Inc.	24.5	0	↓ -24.5
Strain Electric Company	0	1546.28	↑ 1546.28
T&D Construction LLC (NEW)		0	⇒ 0
Toebe Construction LLC	13241.5	28949.75	↑ 15708.25
Tri-City Groundbreakers, Inc (NEW)		0	⇒ 0
Walsh Construction Company (2021 Only)	0		⇒ 0
Z Contractors, Inc.	9747	9838.5	↑ 91.5
Zito Construction Co.	2348.25	698.25	↓ -1650