



STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

GRETCHEN WHITMER
GOVERNOR

PAUL C. AJEGBA
DIRECTOR

May 13, 2020

Mr. Russell L. Jorgenson, P.E.
Division Administrator
Federal Highway Administration, Michigan Division
315 West Allegan Street, Room 201
Lansing, Michigan 48933

Dear Mr. Jorgenson:

Enclosed is the Michigan Department of Transportation (MDOT) On-the-Job Training (OJT) Program Voluntary Incentive Program (VIP) Pilot Interim Report for calendar year 2019.

If you have any questions, please contact me or Lisa Thompson, Office of Business Development Administrator, at (517) 335-1708.

Sincerely,

/S/

Joseph A. Kratofil, Jr., P.E.
Chief Operations Officer

Enclosure

cc: A. Furgason, FHWA
L. Thompson
T. Doyle-Bicy
P. Schroeder

Calendar Year 2019 Voluntary Incentive Program Pilot **INTERIM REPORT**

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 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 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.

Voluntary Incentive Program (VIP) Pilot Schedule:

January 2018	<p>MDOT determines and communicates the OJT allocation for contractors for Calendar Year (CY) 2018 (January - December 2018) according to OJT program procedures.</p> <p>MDOT determines and communicates a list of incentive year projects for consideration of inclusion in the OJT VIP Pilot program.</p>
CY 2018 (January - December 2018)	<p>Contractors employ OJTs and work them according to the hours and provisions in the OJT VIP Pilot Program Procedures if they intend to voluntarily pursue OJT VIP bid incentives in Incentive Year (IY) 1.</p>
January 2019	<p>MDOT evaluates contractor compliance with the OJT VIP Pilot Program Procedures and determines the total number of qualifying OJT employee hours for CY 2018 and associated bid incentive for IY 1. Contractors will be notified and all determinations will be made publicly available by Feb. 1 at www.Michigan.gov/OJT.</p>
CY 2019 (January - December 2019)	<p>Contractors employ OJTs and work them according to the hours and provisions in the OJT VIP Pilot Program Procedures if they intend to voluntarily pursue OJT VIP bid incentives in IY 2.</p>
IY 1 (March 2019 - February 2020)	<p>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.</p>
January 2020	<p>MDOT evaluates contractor compliance with the OJT VIP Pilot Program Procedures and determines the total number of qualifying OJT employee hours for CY 2019 and associated bid incentive for IY 2. Contractors will be notified and all determinations will be made publicly available by Feb. 1 at www.Michigan.gov/OJT.</p>
IY 2 (March 2020 - February 2021)	<p>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.</p>

Evaluation and Report:

1. MDOT has evaluated the bidding process:

MDOT's first contract within the pilot program was let in February 2020. The project consisted of 4.7 miles of hot-mix asphalt cold milling and surfacing, concrete curb and gutter, sidewalk ramps, bridge rehabilitation, epoxy overlay, deck patching, joint replacement, sidewalk widening, concrete surface coating, and pavement markings.

- a. There were two bids placed on this project. The average number of bidders over the last several years on projects with an awarded amount greater than \$25 million is just under 3.5 bidders per project.
- b. Neither prime contractor had a bid incentive of their own; however, both prime contractors used the same subcontractor and utilized the bid incentive of the subcontractor. This subcontractor had a bid incentive of \$400,000.
- c. The project was awarded to Contractor A. With a difference in bid price of more than \$3 million, Contractor A would have been the low bid on this project even without the use of the \$400,000 bid incentive.

Bidder	As-Submitted	As-Checked	Bid Incentive
Contractor A	\$33,327,921.25	Same	\$400,000
Contractor B	\$36,505,744.34	Same	\$400,000

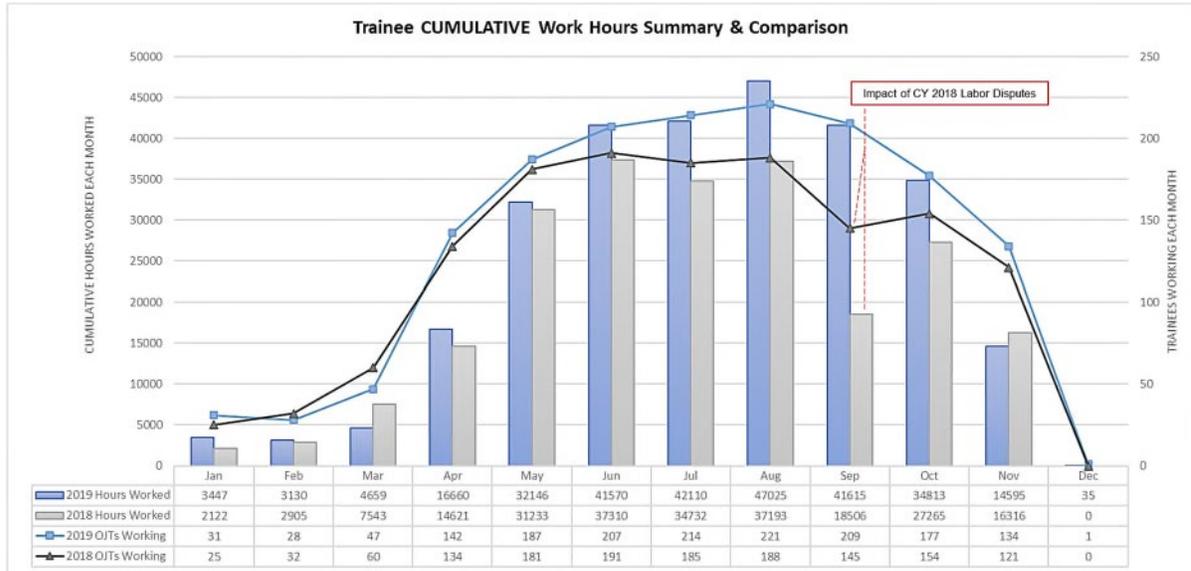
*Note: The As-Checked minus the bid incentive dollar amount determines the low bid.

- d. An unbalanced bid review was not performed.

2. MDOT has evaluated the hiring practices by contractors for CY 2019:

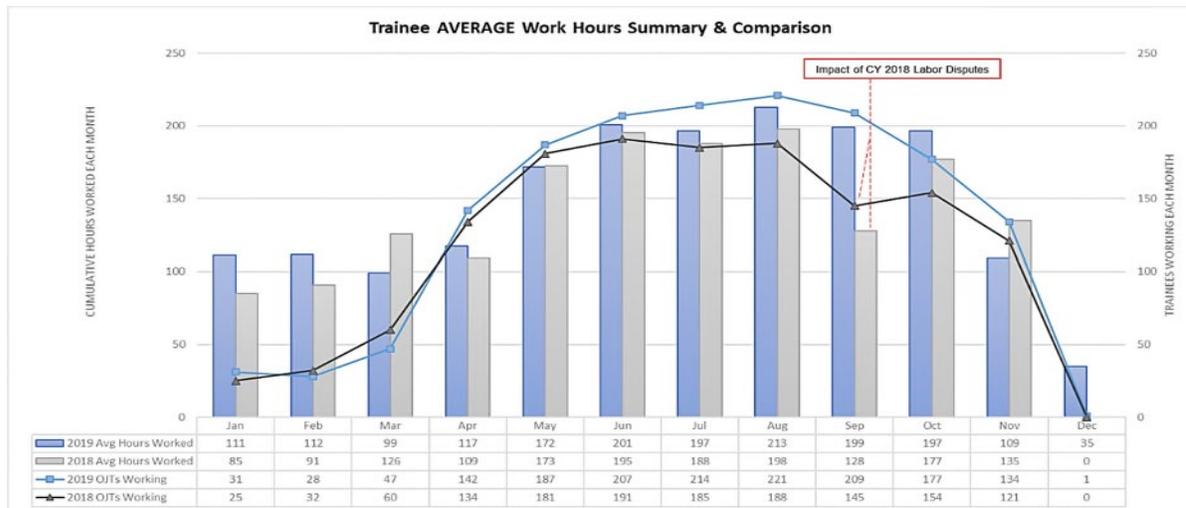
- a. CY 2019 saw an increase in hours worked and trainees working each month compared to CY 2018. Some of the factors contributing to the increase were (1) the number of MDOT active projects, including "mega projects;" (2) direct correlation to the OJT VIP Pilot with incentives for four selected VIP Pilot projects; and (3) labor disputes, which had slight impact on a few OJT Program contractors compared to the labor disputes that occurred previously in CY 2018 that impacted all industry contractors.
 - There was an increase in cumulative hours worked each month for 10 out of 12 months in CY 2019. Those months that saw an increase in cumulative hours worked are January, February, April, May, June, July, August, September, October, and December.

- There was an increase in the number of trainees working for 10 out of the 12 months in CY 2019. Those months that saw an increase in trainees working are January, April, May, June, July, August, September, October, November, and December.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019 Hours Worked	3447	3130	4659	16660	32146	41570	42130	47025	41615	34813	14595	35
2018 Hours Worked	2122	2905	7543	14621	31233	37310	34732	37193	18506	27265	16316	0
2019 OJTs Working	31	28	47	142	187	207	214	221	209	177	134	1
2018 OJTs Working	25	32	60	134	181	191	185	188	145	154	121	0

- There was an increase in the average hours worked each month in nine out of 12 months in CY 2019. Those months that saw an increase in average hours worked are January, February, April, June, July, August, September, October, and December.



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2019 Hours Worked	111	112	99	117	172	201	197	213	199	197	109	35
2018 Hours Worked	85	91	126	109	173	195	188	198	128	177	135	0
2019 OJTs Working	31	28	47	142	187	207	214	221	209	177	134	1
2018 OJTs Working	25	32	60	134	181	191	185	188	145	154	121	0

- b. There was a total of 55 contractors in the OJT Program for CY 2019:
 - 54 Contractors had OJT Program assignment(s).
 - One Contractor did not have an OJT assignment but voluntarily participated in the OJT VIP Pilot.
 - 39 Contractors (71 percent) of the 55 Contractors participated in the VIP Pilot.
 - Of these 39 contractors:
 - 20 Contractors hired more trainees than assigned.
 - 12 Contractors earned a bid incentive.
 - Seven Contractors (13 percent) of the 54 Contractors with OJT assignments opted to not participate in the VIP Pilot.
- c. A total of 285 trainees worked in CY 2019, compared to 267 in CY 2018.
 - 86 trainees (30 percent) of the 285 trainees in CY 2019 were VIP Trainees.
- d. A total of 30 trainees graduated in CY 2019 compared to 28 in CY 2018.
- e. Retention data for CY 2019 graduates will be collected and analyzed throughout CY 2020 and included in the CY 2020 VIP Pilot Interim Report.

CY 2018 retention:

- 17 (61 percent) were reported as permanent employees of the contractor after program completion and remain in heavy highway construction skilled trades.
 - Seven were reported as no longer in heavy highway construction skilled trades.
 - Four could not be reached.
3. MDOT's first contract within the pilot program was let in February 2020. Pursuant to the VIP Pilot Implementation Schedule and the scheduled letting of the pilot projects, there is currently not enough data for evaluation with the letting of just one contract within the pilot program. MDOT will evaluate the bidding process to determine if an overall competitive bidding environment is preserved and will provide an analysis report to FHWA Michigan Division office in the CY 2020 VIP Pilot Report.