

Calendar Year 2021 Voluntary Incentive Program Pilot **INTERIM REPORT - May 2022**

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.

In January 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.

VIP Pilot Schedule:

January 2018

MDOT determines and communicates the OJT allocation for contractors for CY 2018 (January - December 2018) according to OJT program procedures.

MDOT determines and communicates a list of incentive year projects for consideration of inclusion in the OJT VIP Pilot program.

CY 2018
January - December 2018

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.

January 2019

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.

CY 2019
January - December 2019

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.

IY 1
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.

January 2020

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

Incentive Year (IY) 2
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.

OJT VIP Pilot SEP-14 Evaluation and Report:

1. MDOT's VIP Pilot had three incentive projects for IY 3 (March 2021 - February 2022).

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?
33044-210093	3	\$94,299,999.99	1	No
33031-210087	4	\$67,249,837.33	3	No
82052-210084	3	\$13,582,788.88	3	No

The average number of bidders on projects between \$10 million - \$95 million was 2.6 in FY 2020 and in 3.2 in FY 2021. The average number of bidders on these three OJT projects is 3.

All three 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 2021:

- a. CY 2021 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 2021.

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 2021 in comparison to 2020. **Attachment 1** summarizes contractor's CY 2020/2021 OJT Hours.

The data in Table 1 shows an increased number of OJTs working for all months in CY 2021 except for March. The trainee cumulative work hours increased for all months in CY 2021.

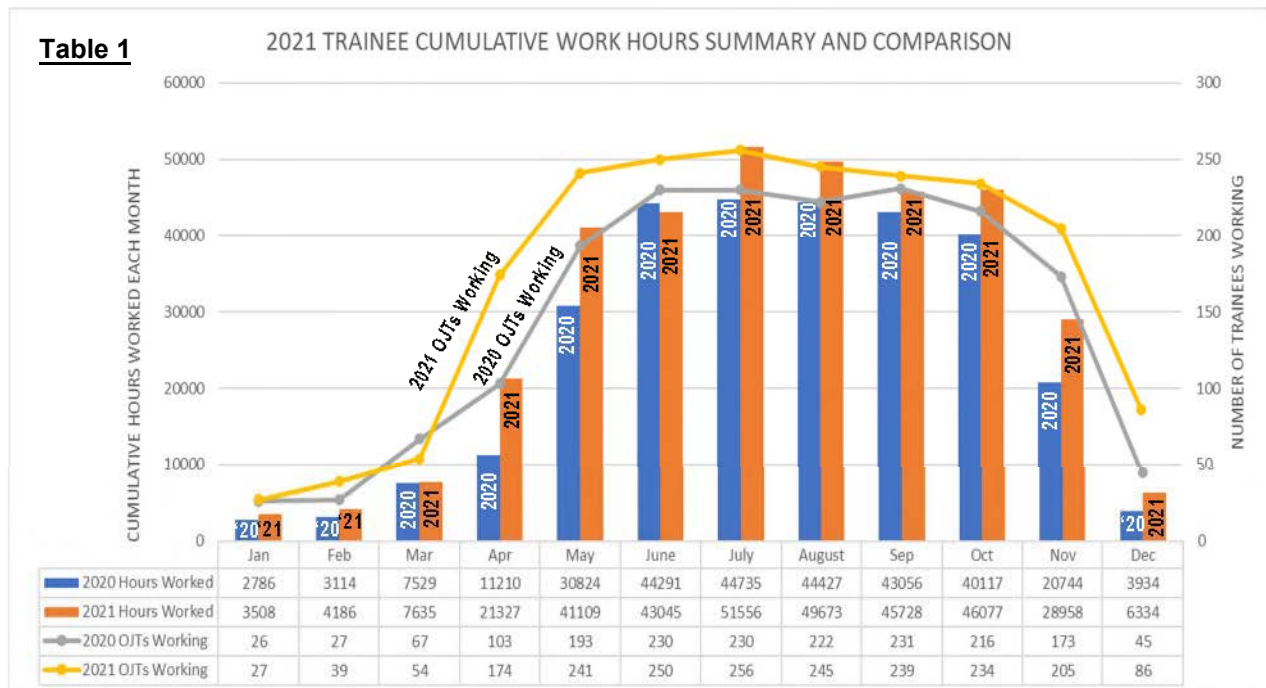
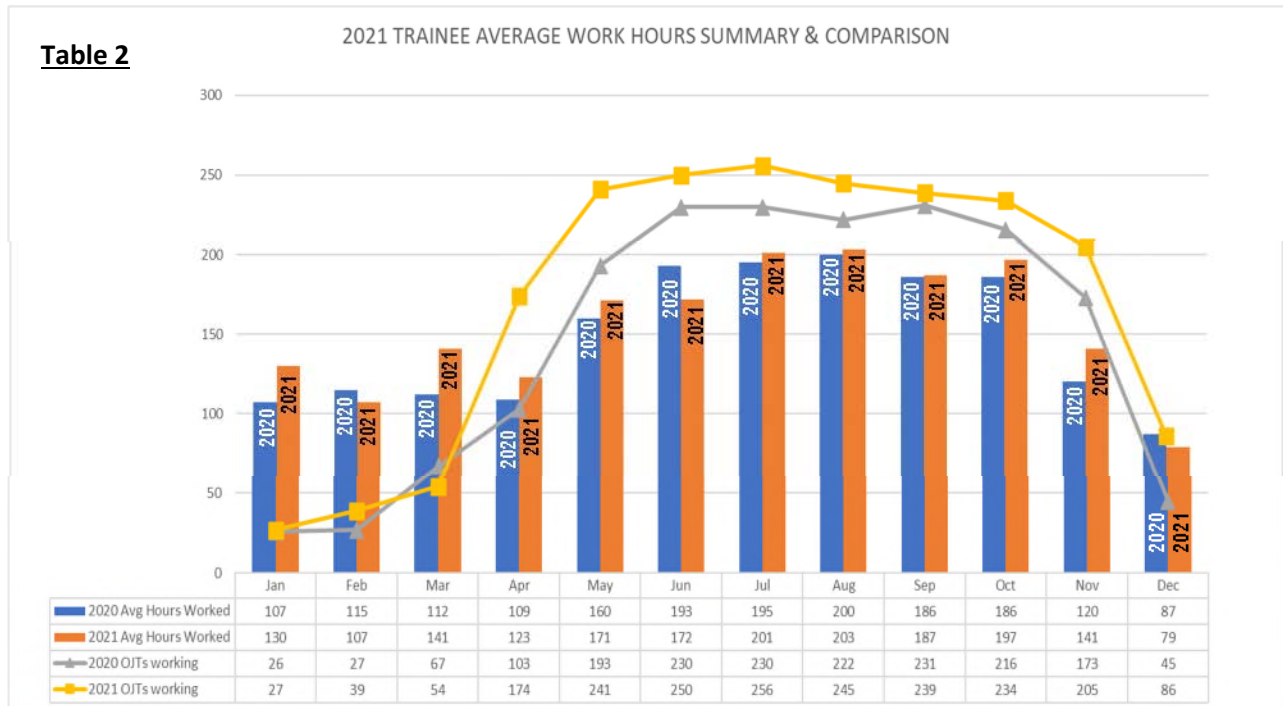


Table 2 summarizes the average hours worked per month for each OJT trainee in 2021 in comparison to 2020.

The data in Table 2 shows an increased number of OJTs working for all months in CY 2021 except for March. Additionally, the average number of hours these trainees worked increased for all months in CY 2021 except for February, June, and December.



- b. The number of contractors who voluntarily hired additional OJT employees in CY 2021 was 60.
- c. A total of 329 trainees worked in CY 2021, compared to 288 in CY 2020. 93 (28 percent) of the 329 trainees in CY2021 were VIP Trainees. From CY 2020 to 2021, the OJT Program retained 196 (68 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 2021, The degree of compliance with the OJT Program Procedures were met by 18 contractors who graduated 42 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 42 graduates in CY 2021, 10 (24 percent) were reported as retained in CY 2021 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 10 graduates reported as retained in CY 2021, 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 2021.

3. MDOT has evaluated the overall program impacts of the OJT VIP Pilot for IY 3 (March 2021 - February 2022).

- a. The number of contracts included in the pilot for IY 3: **3**
- b. The average number of bidders for projects in the pilot: **3**
- c. The average number of bidders who qualified for and used their OJT VIP bid incentive: **2.3**
- 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 successful low bidder
33044-210093	\$74.0	\$94.3	Yes	\$0	\$94.3	No
33031-210087	\$60.3	\$67.2	Yes	\$200,000.00	\$67.0	No
82052-210084	\$12.3	\$13.6	Yes	\$400,000.00	\$13.2	No

Attachment 1: OJT VIP Pilot SEP-14 Evaluation and Report: Paragraph 2.a.

Contractors:	CY 2020 OJT Hours	CY 2021 OJT Hours	Hour Difference
Ace Saginaw Paving Company	11019.5	8582	↓ -2437.5
Action Traffic Maintenance, Inc.	1354.5	2775.16	↑ 1420.66
Ajax Paving Industries, Inc.	27949	32546	↑ 4597
Angelo Iafrate Construction Co.	5095	6537.75	↑ 1442.75
Anlaan Corporation	5216.5	6628	↑ 1411.5
Atsalis Brothers Painting Co.	1850.5	709.05	↓ -1141.45
Bacco Construction Co.	4861.7	8484.75	↑ 3623.05
Black Swamp Steel, Inc.	2334.5	2322.5	↓ -12
Bolen Asphalt Paving, Inc.	632.7	1003.25	↑ 370.55
Brenner Excavating, Inc.	1003.25	1099.25	↑ 96
C & D Hughes, Inc.	8842	4427.5	↓ -4414.5
C.A. Hull Company, Inc.	22612.08	24716	↑ 2103.92
Cadillac Asphalt, LLC.	9412.75	31402.08	↑ 21989.33
Central Asphalt, Inc.	3523.5	0	↓ -3523.5
Champagne & Marx Excavating Inc.	2910.5	N/A	
Cipparrone Contracting, Inc.	280	1684.5	↑ 1404.5
Crawford Contracting, Inc	1245.5	N/A	
D.J. McQuestion & Sons, Inc.	2554.5	2081.75	↓ -472.75
Dan's Excavating, Inc.	40197.5	37721.54	↓ -2475.96
Davis Construction, Inc.	2466.25	3569.5	↑ 1103.25
Diane Dukes, Inc.	847.5	907	↑ 59.5
Elmer's Crane & Dozer, Inc.	377.75	2732.5	↑ 2354.75
F and M Concrete Construction LLC	1283.5	1219	↓ -64.5
Fahrner Asphalt Sealers, LLC	1792.5	2444.45	↑ 651.95
Florence Cement Company	6767	5280.25	↓ -1486.75
Gerken Paving, Inc.	N/A	1073.5	
Give 'em A Brake Safety, LLC	4335.13	3233.82	↓ -1101.31
GM & Sons, Inc.	0	446	↑ 446
Grand River Construction, Inc.	757.5	646	↓ -111.5
Hardman Construction, Inc.	2443	3063.5	↑ 620.5
Herbert Construction, Inc.	0	0	⇒ 0
Highway Service Company, Inc.	0	N/A	
Hoffman Bros., Inc.	1163.5	12424.5	↑ 11261
Homrich Wrecking, Inc.	0	0	⇒ 0
Interstate Highway Construction	0	0	⇒ 0
J & N Construction, LLC	1620.5	6841	↑ 5220.5
J. Ranck Electric, Inc.	3504	3595	↑ 91
Kalin Construction Co., Inc.	6245	1321.98	↓ -4923.02
Kammainga & Roodvoets, Inc.	7055.25	6772.75	↓ -282.5
Lakeland Asphalt Corporation	N/A	2048.27	
Lois Kay Contracting Co.	1605.75	1411.25	↓ -194.5
M & M Excavating Co., Inc.	2544	6969	↑ 4425
Martin J. Concrete, Inc.	6065.08	2345.92	↓ -3719.16
Merlo Construction Company, Inc.	2240.25	665	↓ -1575.25

Contractors:	CY 2020 OJT Hours	CY 2021 OJT Hours	Hour Difference
Michigan Paving & Materials Company	13568.84	28305.75	↑ 14736.91
Milbocker & Sons, Inc.	1658	3885.5	↑ 2227.5
Motor City Electric Utilities Co.	1643.5	1063.5	↓ -580
Nashville Construction Company	0	1356.5	↑ 1356.5
P.K. Contracting, Inc.	10134.25	7525.5	↓ -2608.75
Pavement Maintenance Systems, LLC	336.5	0	↓ -336.5
Payne & Dolan, Inc.	6708	3758.25	↓ -2949.75
Pro-Line Asphalt Paving Corp.	0	3074.5	↑ 3074.5
Pyramid Paving and Contracting Co.	3495.56	2186.55	↓ -1309.01
Rauhorn Electric, Inc.	2080.25	1744	↓ -336.25
Rieth-Riley Construction Co., Inc.	10330.5	25725	↑ 15394.5
Scodeller Construction, Inc.	1040.53	964.24	↓ -76.29
Severance Electric Co., Inc.	1538	2026	↑ 488
Smith's Waterproofing LLC	N/A	928.84	
State Barricades, Inc.	24.33	24.5	→ 0.17
Strain Electric Company	N/A	0	
Toebe Construction LLC	22583.9	13241.5	↓ -9342.4
Walsh Construction Company	8914	0	↓ -8914
Z Contractors, Inc.	5472	9747	↑ 4275
Zenith Tech, Inc.	0	N/A	
Zito Construction Co.	1230.75	2348.25	↑ 1117.5