

**South Dakota Department of Transportation**  
**Methodology for Determining Overall DBE Goal**  
**FFY 2025-2027**  
**Goal – 5.93%**  
**Race neutral – 4.35%    Race conscious – 1.58%**

**Step 1.                    Determining the Base figure: 49 CFR 26.45(c)(2)**

We began the process by determining the relative availability of DBEs on our bidders list. Our bidders list is a tabulation of all successful and unsuccessful bidders that submitted a bid on a Federal-aid contract, and all firms those bidders received a quote from. The bidders list consists of firms actively bidding or quoting during a 3-year period, as per the recent CFR changes. For this goal, that period was from January 1, 2021 to December 31, 2023. We divided the total number of firms on the bidders list (840) into the number of DBEs on the bidders list (36) giving us a base figure of **4.28%** ( $36/840 = .0428$  or 4.28% rounded) for a current relative availability of DBEs.

South Dakota does not weight firms on the bidders list by NAICS or other work category because the number of DBEs in each category is too small to accurately weight. Also, information relative to work categories for non-DBEs is not collected.

We looked at the other methods in the CFR (26.45(c)(1)) and in the “Tips for Goal-Setting” and we found that because our relevant market area is both South Dakota and Minnesota, using the census bureau to find firms that are ready, willing and able to participate was not an accurate representation of availability. We used the top four, 6-digit NAICS codes that best represent the type of work we have let in the past and plan on letting in the next year. We then used the 2021 Census Bureau County Business Patterns and found that there are 3892 total firms in both South Dakota and Minnesota. There are 44 DBEs on our current directory with the same NAICS codes. When following the guidance in the tips for goal-

setting this would give us a base goal of 1.13% (44/3892= .0113 or 1.13% rounded). We also found that while using the 6-digit NAICS codes allowed us to narrow the search to more accurate types of work; it was deficient in several areas which included:

- No racial, ethnic or gender information
- No indication as to whether the firms were interested or willing to do work in South Dakota
- No indication if they would qualify for DBE certification

Since only firms certified and appearing on the DBE directory can be used to meet the DBE goal, it is our opinion that only those firms should be considered ready, willing and able, and to narrowly tailor our goal by determining the most accurate availability of DBEs.

**Step 2. Adjustments to the base figure: 49 CFR 26.45(d)**

49 CFR 26.45 (d) says once we have calculated a base figure, we must examine evidence available in our jurisdiction to determine what adjustment, if any, is needed to the base figure to arrive at our overall goal. We examined DBE participation percentages for the past five (5) years, but recognized that this would not be a fair indicator of future capacity. We previously had DBEs that worked as Prime Contractors for four (4) of the past five (5) years which increased our DBE percentage for awards and commitments. Three (3) of those DBEs have since graduated from the DBE program in the past two (2) years which affected our awards and commitments percentage. We then examined DBE participation percentages for the past three (3) years and determined this should be a fair indicator of future capacity. That participation is as follows:

FY	Fed-Aid dollars	DBE Part. \$	DBE %
2021	378,428,813	28,661,577	7.57
2022	458,816,028	63,006,084	13.73
2023	494,861,165	21,442,758	4.33

Past performance percentages in ascending order are as follows:

2023	494,861,165	21,442,758	4.33
2021	378,428,813	28,661,577	7.57
2022	458,816,028	63,006,084	13.73

We determined that our median past participation percentage was **7.57%** for the past three (3) years.

South Dakota has not conducted a disparity study. Because of this, we are unable to collect data showing disparities with DBEs working in South Dakota. We do, however feel that both availability and capacity should be considered equally in adjusting the base figure. This method should be applied consistently to eliminate making a “judgment call” on the similarity between the two percentages (availability and capacity).

South Dakota DOT does not have the ability to track data on employment, self-employment, education and training, or any other applicable fields currently for our DBEs. Because of this, we are unable to determine whether this would have an impact on the amount of potential work DBEs could obtain in South Dakota.

We averaged the availability of 4.28% and median past participation of 7.57%, to arrive at an overall DBE goal of **5.93** ( $4.28 + 7.57 = 11.85 / 2 = 5.93$ ). We feel that an overall DBE goal of **5.93%** accurately reflects the DBE potential for highway work in South Dakota for the FFY 2025-2027.

**Race neutral and race-conscious means to meet the overall goal**

49 CFR 26.51 (c) requires us to submit with our overall goal a projection of what we expect to meet through race-neutral means. The DOT sets contract goals as a race-conscious means of achieving the overall goal. We also implemented the following race-neutral means of achieving the overall goal:

1. Provide a monthly DBE newsletter with business articles and advice.
2. Provide an on-line DBE directory with the owners’ photographs and business profile to contractors. This served as an excellent

advertising tool because it added the owner’s face to the company name.

3. Provide one-on-one and group training and technical assistance to enhance DBEs’ business skills.
4. Conduct business reviews, analyses and recommendations to DBE firms.

For reporting purposes, race-neutral participation includes:

1. DBE prime contract awards.
2. DBE participation on contracts without individual contract goals.
3. DBE awards on contracts with goals to subcontractors that were not also listed as a commitment
4. DBE achievement on contracts when actual participation exceeded the contract goal.

Race-conscious participation includes the amounts of commitments on contracts with DBE goals up to the amount equal to the contract goal.

We feel that previous year’s DBE participation is the best method of projecting future race-conscious and race-neutral DBE participation (see figures below).

Yr.	Fed-Aid dollars	DBE Part.	RN \$	RN %	R/C
2021	378,428,813	28,661,577	28,661,577	100.00	0
2022	458,816,028	63,006,084	61,387,228	97.43	1,618,856
2023	494,861,165	21,442,758	4,865,661	22.69	16,577,097

Race neutral DBE percentages in ascending order are as follows:

2023	494,861,165	21,442,758	4,865,661	22.69	16,577,097
2022	458,816,028	63,006,084	61,387,228	97.43	1,618,856
2021	378,428,813	28,661,577	28,661,577	100.00	0

We determined the median race-neutral participation by averaging the past three years race neutral participation in 2021, 2022 and 2023 to find our median race-neutral participation of 60.06% (22.69 + 97.43+ 100 =

220.12/3 = 73.37). Using past performance as our best indicator of future performance, we project meeting 73.37% of the 5.93% proposed goal through race-neutral means. ( $.7337 \times 5.93 = 4.351$  or 4.35% rounded). The remaining 1.58% of the 5.93% proposed goal would be achieved through race-conscious means ( $5.93 - 4.35 = 1.58$ ).

Therefore, we project meeting **4.35%** of the goal through race-neutral means and **1.58%** through race-conscious means.

To the extent possible, we will meet the overall goal through race-neutral means (with outreach and technical assistance). The use of race-conscious measures, like contract goals, will be used to make up the difference.

### **Market Analysis**

South Dakota DOT determined that its relevant market area is the State of South Dakota as well as the neighboring state of Minnesota. South Dakota DOT expends 60% of its contract dollars within the geographic boundaries of the State of South Dakota and 20% in the State of Minnesota. As a result, South Dakota DOT spends 80% of its contract dollars in its Relevant Geographic Market Area.

### **Consultation: 49 CFR 26.45(g)(1)**

All highway contractors, DBEs, and tribal employment officers were invited to an in-person meeting with a virtual option to discuss the availability of disadvantaged and non-disadvantaged businesses, the effects of discrimination on opportunities for DBEs and efforts to establish a level playing field for the participation of DBEs.

The in-person meeting was held May 16, 2024 in the DOT Commission Room, 700 E. Broadway, Pierre SD with the virtual option on Microsoft Teams. We had 3 contractors, South Dakota AGC, and Project Solutions, Inc (current SDDOT DBE/SS Consultant) attend virtually. Questions and discussions from the contractors and AGC were regarding how the DBE Goal was determined.

The invitation and notification of the upcoming proposed goal were advertised as follows:

1. Highlighted on the front page of the April 4, April 17, and June 26, 2024 Notices to Contractors (sole source of notification on formal DOT lettings)
2. Advertised in the April, May, and June monthly DBE newsletter
3. Advertised in the AGC newsletter weekly newsletters
4. Mailed directly to all eight Tribal Employment Rights Offices (TEROs) in South Dakota
5. Advertised on the SDDOT DBE/SS website [www.sddb.com](http://www.sddb.com)
6. Advertised on the SDDOT website

The proposed overall goal was advertised on May 25, 2024 informing the public that the goal rationale will be available for inspection during the business hours of 8:30 a.m. until 4:30 p.m. at the front desk of the Becker Hansen Building, 700 E Broadway Avenue, Pierre SD until July 1, 2024. The DOT advertised and accepted comments on the goal until July 10, 2024. There were no requests to inspect the goal rationale, nor were there any comments on the goal methodology.