

**South Dakota Department of Transportation**  
**Methodology for Determining Overall DBE Goal**  
**FFY 2022-2024**  
**Goal – 9.05%**  
**Race neutral – 7.47%    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, 2018 to January 12, 2021. We divided the total number of firms on the bidders list (768) into the number of DBEs on the bidders list (46) giving us a base figure of 5.99% ( $46/768 = .0599$  or 5.99% 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 2018 Census Bureau County Business Patterns and found that there are 4024 total firms in both South Dakota and Minnesota. There are 50 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 1.14% (50/4024= .0124 or 1.12% 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, which should be a fair indicator of future capacity. That participation is as follows:

FY	Fed-Aid dollars	DBE Part. \$	DBE %
2016	291,173,969	15,123,772	5.19
2017	250,980,851	37,011,352	14.75
2018	276,756,939	33,509,728	12.11
2019	379,080,960	75,019,593	19.79
2020	378,560,647	39,737,085	10.50

Past performance percentages in ascending order are as follows:

2016	291,173,969	15,123,772	5.19
2020	378,560,647	39,737,085	10.50
<b>2018</b>	<b>276,756,939</b>	<b>33,509,728</b>	<b>12.11</b>
2017	250,980,851	37,011,352	14.75

2019	379,080,960	75,019,593	19.79
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To determine the median DBE participation for the past five (5) years, took the middle percentage for 2018 of 12.11%.

South Dakota has not conducted a disparity study. 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).

We averaged the availability of 5.99% and median past participation of 12.11%, to arrive at an overall DBE goal of 9.05 ( $5.99 + 12.11 = 18.10 / 2 = 9.05$ ). We feel that an overall DBE goal of 9.05% accurately reflects the DBE potential for highway work in South Dakota for the FFY 2022-2024.

**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
2016	291,173,969	15,123,772	12,294,431	81.29	2,820,986
2017	250,980,851	37,011,352	30,543,379	82.52	6,467,973
2018	276,756,939	33,509,728	25,624,331	76.47	7,885,397
2019	379,080,960	75,019,593	74,926,629	99.88	92,954
2020	378,560,647	39,737,085	39,737,085	100.00	0

Race neutral DBE percentages in ascending order are as follows:

2018	276,756,939	33,509,728	25,624,331	76.47	7,885,397
2016	291,173,969	15,123,772	12,294,431	81.29	2,820,986
2017	250,980,851	37,011,352	30,543,379	82.52	6,467,973
2019	379,080,960	75,019,593	74,926,629	99.88	92,954
2020	378,560,647	39,737,085	39,737,085	100.00	0

We determined the median race-neutral participation by eliminating the two lowest percentages and the two highest percentages leaving the median race neutral participation in 2017 of 82.52%. Using past performance as our best indicator of future performance, we project meeting 82.52% of the 9.05% proposed goal through race-neutral means. (.8252 x 9.05 = 7.468 or 7.47% rounded). The remaining 1.58% of the 9.05% proposed goal would be achieved through race-conscious means (9.05 – 7.47 = 1.58).

Therefore, we project meeting 7.47% 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.

### **Comments**

The documentation for the goal rationale is available for inspection during the business hours of 8:00 a.m. until 4:30 p.m. at the DOT Room 208, 700 E Broadway Avenue, Pierre, SD until July 1, 2021. The DOT will accept comments on the goal which can be mailed to SDDOT DBE Program, Department of Transportation, 700 E Broadway Avenue, Pierre, SD 57501, or emailed to Lance DeMers at [lance.demers@state.sd.us](mailto:lance.demers@state.sd.us) until July 10, 2021.