



South Dakota Department of Transportation

Proposed Methodology for Determining Overall DBE Goal

FFY 2027 FHWA Goal

Proposed Goal – 1.09%

DBE-neutral – **0.73%** DBE-conscious – **0.36%**

Determining the Base figure: 49 CFR 26.45(c)(2)

The Department started the process by determining the relative availability of Disadvantaged Business Enterprises (DBEs) on our bidders list. The bidders list is a compilation of all successful and unsuccessful bidders that submitted a bid on Federal-aid contracts, as well as all firms from which those bidders' received quotes. In accordance with recent updates to the Code of Federal Regulations, the list of bidders includes firms that actively bid or provided quotes during a three-year period. For this goal-setting cycle, that period spanned from January 1, 2023, through December 31, 2025.

To calculate the base figure for current DBE availability, the Department divided the number of DBE firms on the bidders list (10) by the total number of firms on the bidders list (913). This calculation resulted in a base figure of **1.09%** ($10 \div 913 = 0.0109$, or 1.09 percent when rounded).

South Dakota does not weight firms on the bidders list by NAICS codes or other work categories because the number of DBEs in each category is too small to produce statistically meaningful weights. Additionally, work-category information for non-DBE firms is not collected, further limiting the ability to apply weighted analyses.

The Department reviewed the alternative methodologies outlined in 49 CFR 26.45(c). Utilizing data from a disparity study was not considered logical, as South Dakota has not conducted such a study. Referencing a different State DOT's goal was also not feasible at this time, given that all states are currently re-evaluating their goal methodologies in response to the USDOT's DBE Interim Final Rule (IFR).

Although Census Bureau data can be useful, our relevant market area encompasses South Dakota, Minnesota, Iowa, and North Dakota. As a result, reliance on Census Bureau data to identify firms that are ready, willing, and able to participate does not provide an accurate representation of availability. Nonetheless, the Department examined the Census Bureau data to assess its potential relevance.

To refine the analysis, the Department selected ten (10) six-digit NAICS codes that most accurately represent the types of work historically let and anticipated in the upcoming year, as well as those most prevalent among the limited number of DBEs currently available. Using the 2023 Census Bureau data, the Department identified a total of 9,531 firms operating within the four-state market area under those NAICS codes. Within the same work categories, there are 16 DBEs currently listed in our directory. Following the guidance provided in the tips for goal setting, this results in a base goal of 0.17 percent ($16 \div 9,531 = 0.0017$, rounded to 0.17 percent).

Although using six-digit NAICS codes allowed us to focus on more specific types of work, this approach presents several limitations, including:

- No indication of whether the identified firms are interested in, or willing to perform, work in South Dakota.
- No indication of whether those firms would qualify for DBE certification.

Because only firms that are certified and listed in the DBE directory may be counted toward meeting the DBE goal, the Department concludes that only those certified firms should be considered ready, willing, and able. Accordingly, the Department believes that this approach most accurately reflects the availability of DBEs and appropriately tailors our goal-setting methodology.

DBE-neutral & DBE-conscious means to meet the overall goal

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

- Provide technical assistance to in-state firms wanting to be reevaluated (*to increase the number of DBEs available to participate on projects*).
- Provide technical assistance to firms applying for interstate certification to increase DBE availability.
- Provide a DBE Directory that is narrowly tailored to each DBE to highlight their work capabilities.

For reporting purposes, DBE-neutral participation includes:

- DBE prime contract awards.

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

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

The Department feels that previous year's DBE participation is the best method of projecting future DBE-conscious and DBE-neutral participation (see figures below).

Year	Federal-Aid Dollars	DBE Participation	DBE-Neutral Dollars	DBE-Neutral Percentage	DBE-Conscious Dollars
2023	494,861,165	114,730	114,730	100.00	0
2024	537,423,965	60,861	0	0	60,861
2025	533,304,821	1,179,905	1,179,905	100.00	0

DBE-neutral and DBE-conscious percentages in ascending order are as follows:

Year	Federal-Aid Dollars	DBE Participation	DBE-Neutral Dollars	DBE-Neutral Percentage	DBE-Conscious Dollars
2024	537,423,965	60,861	0	0	60,861
2023	494,861,165	114,730	114,730	100.00	0
2025	533,304,821	1,179,905	1,179,905	100.00	0

The Department determined the median DBE-neutral participation rate by averaging the DBE-neutral participation from the past three years (2023, 2024, and 2025), resulting in a median value of 66.66% ($100 + 100 + 0 = 200$; $200 \div 3 = 66.66$). Using past performance as the most reliable indicator of anticipated future outcomes, the Department projects that 66.66% of the proposed 1.09% overall DBE goal can be achieved through DBE-neutral measures. This calculation results in an estimated 0.73% to be met through DBE-neutral means ($0.6666 \times 1.09 = 0.726$, rounded to 0.73 percent). The remaining 0.36% of the proposed overall goal would therefore need to be achieved through DBE-conscious measures ($1.09 - 0.73 = 0.36$).

Accordingly, the Department anticipates meeting **0.73%** of the overall goal through DBE-neutral means and **0.36%** through DBE-conscious methods. To the maximum extent practicable, the Department will continue to rely on DBE-neutral strategies, such as targeted outreach and technical assistance, to promote DBE participation. DBE-conscious measures, including the application of contract goals, will be used only

as necessary to achieve the remaining portion of the overall goal, consistent with federal expectations that recipients minimize the use of DBE-conscious tools when DBE-neutral approaches can reasonably achieve the objective.

Market Analysis

The Department determined that its relevant market area is the State of South Dakota as well as the neighboring states of Iowa, Minnesota, and North Dakota. South Dakota DOT expends 59% of its contract dollars within the geographic boundaries of the State of South Dakota, 24% in the State of Minnesota, 10% in the State of North Dakota, and 1% in the State of Iowa. As a result, South Dakota DOT spends 94% of its contract dollars in its Relevant Geographic Market Area.