

**Kentucky Transportation Cabinet
DBE Goal Methodology
Federal Fiscal Year (FY) 2023-2025**

To comply with 49 CFR § 26.45, the Kentucky Transportation Cabinet (KYTC) established its overall DBE goal based on the availability of ready, willing and able DBEs relative to the availability of all ready, willing and able firms within the Kentucky highway construction industry. KYTC set an overall goal of 12.7% of which it expects to meet 2.3% through race neutral means and 10.4% through race conscious means.

A. Step One - Base Figure –§26.45 (c)

Under the regulations, recipients must begin the goal-setting process by determining a base figure for relative availability of DBEs.

1. Method Selected

KYTC uses an alternate method that includes census data, NAICS Codes and the Kentucky and Indiana DBE directories. This approach is based on the greatest concentration of DBE's with a market area that includes the Louisville/Southern Indiana area region of the state.

2. Description of Data Used

Data used in this calculation includes Census identified prime and sub-contractors, consultants, and appraisers available for work on Federal Highway Administration (FHWA)-assisted construction projects in the local market area during the period of October 2019 - 2021. Firms with North American Industry Classification System (NAICS) codes that do not relate to highway construction have not been included in the calculations.

According to the census data found at <https://www.census.gov/en.html>, DBE directories linked here <https://transportation.ky.gov/Civil-Rights-and-Small-Business-Development/Pages/Certified-DBE-Directory.aspx> , and other small business sources there are 4872 firms across the state conducting business in the NAICS codes in which the KYTC participated. The data used to make this determination was the data available from Census update (2020) and current directories in 2022 and it was consistent with data from previous years. KYTC has determined that 75% or more of the contractors and subcontractors with which it does business are located within the state of Kentucky. Kentucky and Indiana are currently operating under a reciprocity agreement created in accordance with 49 CFR part 26.81(e). Therefore the Indiana DBE's now eligible to work on Kentucky projects are captured in the table under "ALL Firms".

To comply with Kentucky law, KRS §176.140, and its related regulations, firms must be financially and professionally qualified to do business with the state before submitting bids on any project issued by KYTC. As such, the KYTC believes that use of the census data, DBE directory, and all sources available is the most

appropriate means by which to collect data on the actual available firms. The use of this data provides a more accurate count of firms that are able to participate and bid on KYTC projects.

KYTC further acknowledges that USDOT recommends weighting based on categories of contractors so the KYTC has weighted the data based on expenditures. The weighting was performed as part of the Step One calculations explained below.

3. Calculations Performed

Relative Base Figure

Considering the three categories of contracts (construction, professional services and right of way/utilities), the formula used to calculate the base figure becomes:

$$\frac{\text{DBE Contractors and Subcontractors} + \text{DBE consultants}}{\text{All Contractors and Subcontractors} + \text{All Consultants}} = \text{Relative Base Figure}$$

The resulting calculation is as follows:

Table 1: Relative Base Figure

NAICS Code	NUMBER OF AVAILABLE FIRMS		PERCENT OF AVAILABLE FIRMS		
	DBE Firms	All Firms	(1) DBE%	(2) Non DBE%	(3) ALL
237310	52	293	1.1%	4.9%	6.0%
237990	17	134	0.3%	2.4%	2.8%
238990	49	938	1.0%	18.2%	19.3%
541380	14	100	0.3%	1.8%	2.1%
541618	17	82	0.3%	1.3%	1.7%
561730	30	3325	0.6%	67.6%	68.2%
Total	179	4872	3.7%	96.3%	100%

(1) $\frac{\text{DBE firms}}{4872} = \text{DBE \%}$ (2) $\frac{\text{All Firms} - \text{DBE Firms}}{4872} = \text{Non DBE \%}$ (3) $\text{DBE \%} + \text{Non DBE \%} = \text{All}$

(1) $\frac{52}{4872} = 1.1\%$ or DBE% (2) $\frac{293 - 52}{4872} = \frac{241}{4872} = 4.9\%$ or Non DBE %

(3) $1.3\% + 4.9\% = 6\%$ or All

The KYTC believes this relative base figure calculation over counts the number of available DBEs as it assumes that every DBE has an equal opportunity and equal weight to perform KYTC contracts. However, in the practical application, not all DBEs have equal

opportunity for participation as opportunity is dependent on the amount of dollars spent in each NAICS code. Therefore, to more accurately reflective the relative availability of DBE firms, as recommended by U.S. DOT, the KYTC performed a weighted calculation of availability. This calculation, which is based on the KYTC's expenditures in each NAICS code, is shown below in Table 2.

Table 2: Weighted Based Figure

NAICS	NUMBER OF AVAILABLE FIRMS		AWARDED CONTRACT AMOUNT (FY 18)	NAICS CODE WEIGHT	WEIGHTED AVAILABILITY	
	DBE Firms	All Firms			DBE %	Non DBE %
Code	DBE Firms	All Firms	Dollars	%	DBE %	Non DBE %
237310	52	293	\$500,183,170.00	75.2%	13.4%	61.9%
237990	17	134	\$55,843,489.56	8.4%	1.1%	7.3%
238990	49	938	\$50,588,733.42	7.6%	0.4%	7.2%
238310	14	100	\$28,398,444.32	4.3%	0.6%	3.67%
541618	17	82	\$19,818,310.66	3.0%	0.6%	2.4%
561730	30	3325	\$10,028,120.10	1.5%	0.0%	1.5%
Total	179	4872	\$664,860,268.06	100.00%	16.04%	83.96 %

Weight (% of NAICS category) $\frac{\# \text{ of DBE's in category}}{\# \text{ of all firms in category}}$ = Weighted Percent for NAICS Category

$$\text{Category weight} = \frac{237310}{293} = 17.75\%$$

$$\text{NAICS Code Weight} = \frac{237310}{\$664,860,268.06} = 75.2\%$$

$$\text{Weighted Availability} = 237310 = 17.75\% \times 75.2 = 13.4\% \quad 75.2 - 13.4 = 61.9\%$$

As shown above, first a weight for each NAICS code was calculated, which is the percentage of the budget for KYTC contracts awarded from October 1, 2020 to September 30, 2021. The next step was to determine weight availability by dividing the number of DBEs by the total number of firms in each NAICS code. The results were then multiplied by the corresponding weight in each NAICS code. Lastly, the weighted percentages in each NAICS code are combined to determine the weighted base

figure. Table 2 above, presents the calculation of weighted availability, which was determined to be **16.04% percent** for DBEs.

B. Step Two – Adjustments – §26.45 (d)

DBE regulations at 49 CFR §26.45 (d), require an examination of available evidence in the local market to determine what adjustment to the base figure is needed, if any, to establish the overall goal.

1. Past Participation

KYTC considered the capacity of DBEs to perform work as measured by the median past participation of DBEs on DOT-assisted contracts. From FY 2018 through FY 2021, DBEs performed 9.2%,10.44%, 9.3%, 6.3% and 11.7% respectively, of the FHWA aid amount. The median past participation for these years is 8.5%. The large difference between the Step One relative weighted base figure (16.04%) and the median past DBE participation indicates that the capacity of DBEs to perform highway project work does not match the mere availability of such firms and suggests that an adjustment of the Step One figure is warranted. By calculating the average of median past participation and the Step One base availability figure, KYTC determined an adjusted base figure of 12.7%

Fiscal Year	Total amount of Expenditures (Federal Assisted Contracts)	Actual Amount of Expenditures to DBE's	Actual Attainment of DBE goal%
2017	\$430,991,455	\$39,821,396	9.2%
2018	\$461,032,327	\$48,121,328	10.44%
2019	\$562,491,146	\$52,034,675	9.3%
2020	\$753,649,167	\$47,851,712	6.3%
2021	\$710,536,339	\$83,234,716	11.71%

9.3% Median past participation + 16.04 weighted Base Figure = 12.7% Adjusted Base

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2. Other Evidence Considered

No disparity studies have been conducted in the local market area.

Accordingly, KYTC will set an overall DBE goal of **12.7%** for FY 2023-25.

C. Public Participation - §26.45 (g)

The regulations require recipients to provide opportunities for public participation as part of the goal setting process. KYTC published dates and locations for public forums for discussion of the DBE goal statewide. These notices also announced that the proposed goal and methodology would be available for comment on the KYTC Office of Civil Rights and Small Business Development Website (<http://transportation.ky.gov/Civil-Rights-and-Small-Business-Development>). Written comments were also accepted. The public forums did not yield relevant comments. Attendees inquired about DBE goals on state contracts and if we knew how much the goal would change but offered no feedback regarding the DBE goal methodology.

D. Race/Gender Neutral and Conscious Measures -\$26.51

KYTC projects that it will meet its overall goal with 2.3% race neutral participation and 10.4% race conscious participation. KYTC has not met its DBE goal for the past three fiscal years. However, KYTC reviewed its DBE participation on projects (federally assisted contracts) closed out in the past five federal fiscal years (FY18-FY21), specifically examining the breakdown between race-neutral and race-conscious participation. KYTC measures race-conscious participation by counting payments made to DBEs to fulfill contract goals. KYTC measures race-neutral participation by counting payments made to DBEs in excess of contract goals or payments made to DBEs on contracts where no DBE goal has been set.

Expenditures to DBE’s with Race Neutral/Race Conscious Breakdown

Fiscal Year	Total amount of Expenditures (Federal Assisted Contracts)	Actual Amount of Expenditures to DBE’s	R/N (% of DBE Expenditures)	R/C (% of DBE Expenditures)
2017	\$430,991,455	\$39,821,396	17%	83%
2018	\$461,032,327	\$48,121,328	24%	76%
2019	\$562,491,146	\$52,034,675	24%	76%
2020	\$753,649,167	\$ 47,851,712	10%	90%
2021	\$710,536,339	\$ 83,234,716	18%	82%

Based on the above table, KYTC achieved a median of 18% of the DBE goal by race-neutral means. Therefore, KYTC anticipates it can achieve 18% of the FY 23-25 DBE overall goal through race-neutral means.

Also, the KYTC will continue to provide DBEs supportive services specific to their needs, to help them grow and develop. This will include classroom and on-site technical, contracting procedures and requirements, management assistance and educational training opportunities to certified DBE firms in order to increase employment potential. These services will target DBEs to improve their long-term development, increase opportunities to participate, and achieve eventual self-sufficiency. Kentucky’s Business

Development Program (BDP) will also aid in this regard. Those firms utilizing the BDP will be able to take advantage of classes and resources in a program that will target their company's areas of need. We also plan to make the states DBE directory accessible in as many formats as possible to the universe of contractors.

E. Conclusion

KYTC's goal methodology is consistent with the requirements of 49 CFR § 26.45 and reflects the availability of ready, willing and able DBEs relative to the availability of all ready, willing and able businesses within the Kentucky highway construction industry. KYTC has used all available evidence to set an overall goal of 12.7%, of which it expects to meet 2.3% through race neutral means and 10.4% through race conscious means. KYTC will monitor progress in meeting its goal over the next three years and will adjust the race conscious and race neutral split if necessary.