

**Kentucky Transportation Cabinet
DBE Goal Methodology
Federal Fiscal Year (FY) 2026-2028**

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. The KYTC has set an overall goal of 12.4%, which it expects to meet through 1.3% via race-neutral means and 11.1% via 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 the 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.

2. Description of Data Used

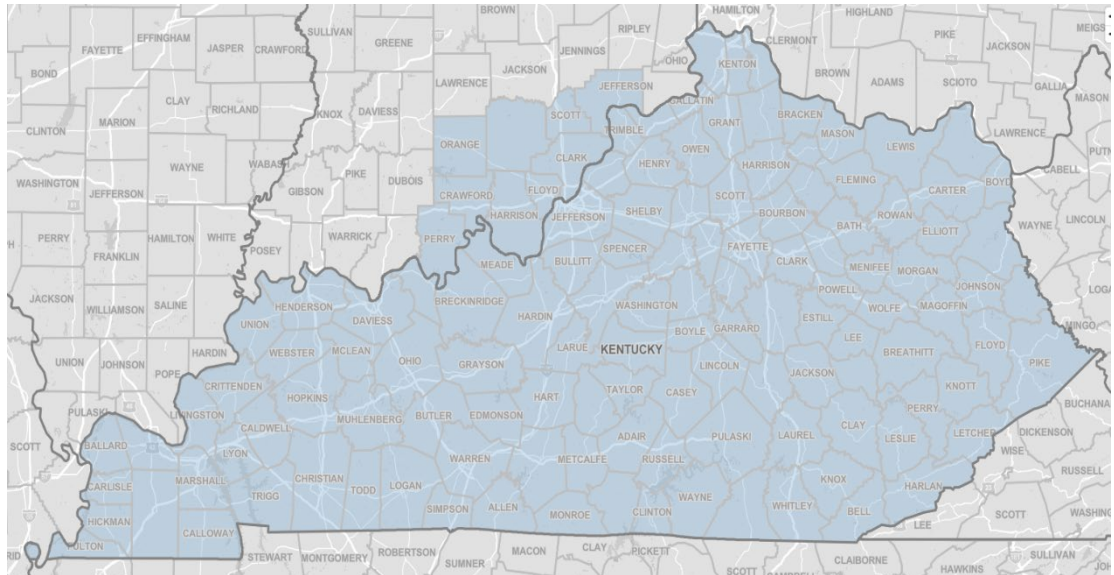
Data used in this calculation includes Census identified prime and sub-contractors, consultants, and appraisers available for work on Federal Highway Administration (FHWA)-assisted construction projects in the local market area during the period of October 2022 - 2024. Firms with North American Industry Classification System (NAICS) codes that do not relate to highway construction have not been included in the calculations.

The geographic market area is defined as the state of Kentucky and select counties in Southern Indiana based on the determination that 75% or more of the contractors and subcontractors with which it does business (see highlighted map).

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 3773 firms in the state of Kentucky and select counties in Southern Indiana conducting business in the NAICS codes in which the KYTC participates. The data used to make this determination was the data available from the Census update (2022) and current directories in 2022.

When determining a count of DBE firms, KYTC identified the number of DBE firms found in the Kentucky and Indiana DBE directories, also ensuring that no double-counting of firms occurred between the two lists.

Firms in KY and Southern Indiana engaged in the KYTC highway-related project



(FY 2022-2024)

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 the use of the census data, DBE directory of all firms, pre-qualified 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.

The KYTC further acknowledges that USDOT recommends weighting based on categories of contractors; therefore, 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	NUMBER OF AVAILABLE FIRMS		AVAILABLE DBE
Code	DBE Firms	All Firms	DBE%
237310	36	244	1.0%
237990	10	147	0.27%
238990	34	408	0.90%
238210	173	1830	4.59%
541618	22	1144	0.58%
Total	275	3773	7.3%

$$\text{Relative base figure} = \frac{275}{3773} = 7.3\%$$

The KYTC believes this relative base figure calculation is just the first step needed to determine the number of available DBEs. Therefore, to more accurately reflect 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: KYTC's expenditures in each NAICS code

NAICS	NUMBER OF AVAILABLE FIRMS		AWARDED CONTRACT AMOUNT (CY 22)	PERCENTAGE OF DOLLARS	CATEGORY WEIGHTS	DBE
Code	DBE Firms	All Firms	Dollars	%	%	%
237310	36	244	\$709,786,323.25	88.5%	14.75%	13.1%
237990	10	147	\$2,579,005.25	0.3%	6.80%	0.0%
238990	34	408	\$6,758,542.05	0.8%	8.33%	0.1%
238210	173	1830	\$11,241,026.39	1.4%	9.45%	0.1%
541618	22	1144	\$72,085,744.34	9.0%	1.92%	0.2%
Total	275	3773	\$802,450,641.28	100.0%		13.45%

Weight (% of NAICS category) $\frac{\# \text{ of DBEs in category}}{\# \text{ Of all firms in the category}}$ = Weighted Percent for NAICS Category

$$\text{Category weight} = \frac{237310}{244} = 0.1475 = 14.75\%$$

$$\text{NAICS Code weight} = 237310 = \frac{\$709,786,323.25}{\$802,450,641.28} = 88.5\%$$

$$\text{Weighted Availability} = 237310 = 14.75\% \times 88.5 = 13.1\%$$

As illustrated by the example above, a weight was first calculated for each NAICS code, representing the percentage of the budget for KYTC contracts awarded from January 1, 2022, to December 31, 2022. 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 **13.45% 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 2020 through FY 2024, DBEs received 6.3%, 11.71%, 11.3%, 12.4%, and 8.1%, respectively, of the FHWA aid amount. The median past Participation for these years is 11.3%. The significant difference between the Step One relative weighted base figure (13.45%) 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 the median past Participation and the Step One base availability figure, KYTC determined an adjusted base figure of 12.4%.

Table 3: Total amount of Expenditures and expenditures to DBEs

Fiscal Year	Total amount of Expenditures (Federal Assisted Contracts)	Actual Amount of Expenditures to DBEs	Actual Attainment of DBE goal%
2020	\$753,649,167.00	\$47,851,712	6.3%
2021	\$710,536,339.00	\$83,234,716	11.71%
2022	\$681,774,432.00	\$77,082,616	11.3%
2023	\$645,650,662.00	\$79,984,355	12.4%
2024	\$732,316,728.00	\$59,317,379	8.1%

$$11.3\% \text{ Median past participation} + 13.45 \text{ weighted Base Figure} = 12.4\% \text{ Adjusted Base}$$

2. Other Evidence Considered

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

Accordingly, KYTC will set an overall DBE goal of **12.4%** for fiscal years 2025-2028.

C. Public Participation - §26.45 (g)

The regulations require recipients to provide opportunities for public Participation as part of the goal-setting process. The KYTC has published dates and locations for public forums to discuss the statewide DBE goal. 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 that were held virtually on June 30, July 1, and July 2.

D. Race/Gender Neutral and Conscious Measures -§26.51

KYTC projects that it will meet its overall goal with 1.3% race-neutral participation and 11.1% 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 (FY20-FY24), 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.

Table 4 - Expenditures to DBE's with Race Neutral/Race Conscious Breakdown

Fiscal Year	Total amount of Expenditures (Federal Assisted Contracts)	Actual Amount of Expenditures to DBEs	R/N (% of DBE Expenditures)	R/C (% of DBE Expenditures)
2020	\$753,649,167.00	\$47,851,712	10%	90%
2021	\$710,536,339.00	\$83,234,716	18%	82%
2022	\$681,774,432.00	\$77,082,616	8%	92%
2023	\$645,650,662.00	\$79,984,355	14%	86%
2024	\$732,316,728.00	\$59,317,379	11%	89%

Based on the above table, KYTC achieved a median of 11% of the DBE goal by race-neutral means. Therefore, KYTC anticipates it can achieve 11% of the FY 25-28 DBE overall goal through race-neutral means.

Additionally, the KYTC will continue to provide DBEs with supportive services tailored to their specific needs, helping them grow and develop. This will include classroom and on-site technical, contracting procedures, and requirements, as well as management assistance and educational training opportunities for certified DBE firms, to increase their employment potential. These services will target DBEs to enhance their long-term development, increase opportunities for Participation, and ultimately achieve 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 state's 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 **12.4%**, of which it expects to meet **1.3%** through race-neutral means and **11.1%** through race-conscious means. The 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.