



Tennessee Department of Transportation
Overall Annual DBE Goal
Federal Fiscal Year 2024-2026

TENNESSEE DEPARTMENT OF TRANSPORTATION (TDOT) FFY 2024-2026 OVERALL ANNUAL DISADVANTAGED BUSINESS ENTERPRISE (DBE) GOAL

For the FFY 2024 - 2026 DBE Goal submission, the Tennessee Department of Transportation (TDOT) Disadvantaged Business Enterprise Program (DBE) has a proposed goal of **9.66%**. This overall goal is expected to be achieved through **8.19%** race-conscious and **1.47%** race-neutral means. Annual reviews of the data will be conducted and updates will be provided as needed.

The purpose of the DBE Program is to:

- * Remedy past and current discrimination,
- * Ensure a level playing field,
- * Foster equal opportunity on DOT-assisted contracts,
- * Improve flexibility and efficiency, and
- * Facilitate prime contracting opportunities for DBEs.

In an effort to reach this level playing field, TDOT examined its program and local markets, then determined the amount of participation DBEs would be expected to achieve in the absence of present and past effects of discrimination. These efforts are outlined on the subsequent pages.

TDOT Market Area

In order to formulate the DBE goal, the local area market has to be identified. The local market area is defined as the area where the substantial majority of contracting dollars are spent and the area in which the substantial majority of the contractors and subcontractors are located. Tennessee has the potential to have a high percentage of contractors from out-of-state since it is bordered by eight states (KY, VA, NC, GA, AL, MS, AR, MO) and extends about 430 miles East to West and 110 miles North to South. However, based on state construction data, this does not prove to be the case.

Calculating the percentage of in-state vs. out-of-state prime contractor and subcontractor firms receiving TDOT projects over a three-year period (2020-2022 FFY), TDOT overwhelmingly contracted with local (Tennessee) contractors on Federal-aid projects. As TDOT does not maintain a "bidder's list," the most representative method to capture both prime and subcontractor award information was to use goal award information tracked through TDOT's Small Business Development Program (SBDP). After analyzing this data, it was determined that a substantial majority of prime contracts with goals attached (86%) were let to in-state contractors. A substantial number of DBE subcontracts on goal projects (85%) were also let to in-state firms, as shown in **Table 1**. Of the out-of-state DBE participation, there were sixteen DBEs from nine states awarded DBE contracts during this period: MS (2); KY (3); GA (2); FL (3); IL (1); AL (2); PA (1); UT (1); and NC (1). TDOT therefore defines the State of Tennessee as its market area.

Table 1 – Percentage of contracts to Tennessee firms

Data Description	Total Program Awards	Amount Represented by Tennessee Firms	Tennessee Market Percentage
Distribution of Prime Contractor Awards	1145	986	86.11%
Distribution of Subcontractor Awards (out of 1145 Prime contracts)	4526	3887	85.88%

Establishing the DBE goal

Establishing the DBE goal involves two primary steps. **Step One:** Determining a base figure for the relative availability of DBEs, and **Step Two:** Examining evidence in the state to determine what adjustments, if any, are necessary to the base figure to arrive at the overall goal.

Step One: Determining the Base Figure – 49 CFR §26.45(c)

Pursuant to 49 CFR 26.45, TDOT has used the following methodology to determine the **baseline figure** for its 2024 - 2026 DBE goal. After comparing several methods to determine the availability of ready, willing and able (RWA) DBEs, information mined from U.S. Census Data was decided as the most representative way to refine an accurate Step One Figure.

Step One

The most recent U.S. Census County Business Patterns (CBP) data was used to determine the percentage of RWA DBEs in the Tennessee market area for Step One. Using the DBE directory information for firms in the defined market area, TDOT carefully reviewed the area of work performed by DBEs, creating an analysis of firms in those codes in comparison to the 2020 CBP NAICS codes (most current data available) for all businesses in Tennessee.

The Civil Rights Office also did an extensive search for potential DBE businesses on the Governor's Office of Diversity Business Enterprise ([GoDBE](#)) website. Businesses were searched by minority status and gender (women-owned businesses) in the category of Construction. Although there were 17 businesses initially listed under GoDBE's *Construction* category, this proved to be broad and the majority of these businesses would not qualify as DBEs (or were already certified as DBEs) that would be ready, willing and able to work on federally funded highway construction projects. Per USDOT's [Tips for Goal-Setting in the Disadvantaged Business Enterprise \(DBE\) Program](#), "You should take steps to filter out businesses that are not relevant to your calculations where possible." DBEs not included in Step 1 were due to their extremely limited usage potential for state highway transportation contracts. These were excluded so as not to skew the results. Therefore, those who did not qualify were excluded and the number



was later reduced to 3 potential Construction DBEs and 7 potential Consulting/Engineering DBEs.

TDOT has a total of 302 (see tables 2 and 3) DBE firms determined to be ready, willing and able (in-state and out-of-state firms) to work on FHWA funded projects in the defined market area. This number includes both construction and consultant firms. We also targeted 10 (see tables 2 and 3) potential firms from the above-mentioned sources. The NAICS codes for those firms yield a total of 4,076 (see tables 2 and 3) firms. The tables below, in combination with the formulas that follow, will show the Step One Process.

**Table 2 - Tennessee County Business Patterns – 2020 US Census
(Construction/Maintenance/Trucking)**

NAICS Code	Description (Construction)	TDOT DBE	Potential DBEs (GoDBE List)	OOS* DBES bidding work in TN	Census
238120	Structural steel and precast concrete contractors	13			77
238110	Poured concrete foundation and structure contractors	43			362
237310	Highway/Street/Bridge Construction	53			182
561990	Flagger/Traffic Control Services	18	2		159
561730	Landscaping Services	45		1	105
484220	Specialized freight (except used goods) trucking, local	34	1		428
423390	Other Construction Material Merchant Wholesalers	11		16	77
	SUBTOTAL	217			1390
	DUPLICATES	76			
	TOTAL	141	3	17	1407

*out-of-state

Percentage of DBE Firms in Construction, Maintenance, Trucking

141 (DBEs) + 17 (OOS DBES) + 3 (Potential DBEs) = 161

161/ 1407 (TN NAICS Total) = 11.44 %

**Table 3 - Tennessee County Business Patterns – 2020 US Census
(Engineering/Consulting)**

NAICS Code	Description (Construction)	TDOT DBE	Potential DBEs (GoDBE List)	OOS* DBEs bidding work in TN	Census
Engineering and Consulting					
541330	Engineering Services	35	5	25	828
541611	Administrative management and general management consulting services	47	1	50	865
541512	Computer systems design services	10	0	7	620
541370	Surveying and mapping (except geophysical) services	5	1	3	171
541620	Environmental consulting services	9	0	12	127
	SUBTOTAL	106	7	97	2611
	DUPLICATES DBES	20		39	
	Total	86	7	58	2669

*out-of-state

Percentage of DBE Firms in ENGINEERING & CONSULTING

$$\begin{aligned}
 & \underline{86 \text{ (TNUCP In-state DBEs)} + 58 \text{ (OOS DBES)} + 7 \text{ (Potential DBEs)} = 151} \\
 & \underline{151 / 2669 \text{ (TN NAICS Total)} = 5.66\%}
 \end{aligned}$$



Table 4 – Federal-Aid Utilization for FFY 2022 by Program Area

Program	Federal-Aid Share of Contracts Awarded (Dollars)	Percentage of Total
Construction, Maintenance and Trucking	\$925,101,964.40	91.41%
Engineering and Consulting	\$87,268,444.10	8.59%
Total	\$1,012,370,408.49	100%

Step One Base Figure

$$\text{Step One Base Figure} = (\text{Percentage of Total}) \frac{\text{Ready, Willing, and Able DBEs}}{\text{All Firms (DBEs and non – DBEs)}}$$

Step One Base Figure, weighted by type of work to be performed

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$$\begin{aligned} & \left[.914 \left(\frac{\# \text{ CONSTRUCTION, MAINTENANCE, TRUCKING DBEs}}{\# \text{ CONSTRUCTION, MAINTENANCE, TRUCKING Firms}} \right) \right. \\ & \quad \left. + .086 \left(\frac{\# \text{ ENGINEERING \& CONSULTING DBEs}}{\# \text{ ENGINEERING \& CONSULTING Firms}} \right) \right] \times 100\% \\ & = \left[.914 \left(\frac{161 \text{ CONSTRUCTION, MAINTENANCE, TRUCKING DBEs}}{1407 \text{ CONSTRUCTION, MAINTENANCE, TRUCKING Firms}} \right) \right. \\ & \quad \left. + .086 \left(\frac{151 \text{ ENGINEERING \& CONSULTING DBEs}}{2669 \text{ ENGINEERING \& CONSULTING Firms}} \right) \right] \times 100\% \\ & = \left[.914 \left(\frac{161}{1407} \right) + .086 \left(\frac{151}{2669} \right) \right] \times 100\% \\ & = [.914(.1144) + .086(.0566)] \times 100\% = [.1046 + .0049] \times 100\% \\ & = \mathbf{10.95\%} \end{aligned}$$

Final Step One Base Figure= **10.95%**

Step Two: Adjust the Base Figure – 49 CFR § 26.45(d)

Step Two of the goal setting calculation process is intended to adjust the Step One Base Figure to make it as precise as possible. Regulations require TDOT to consider all of the evidence available in its jurisdiction to determine what adjustment, if any, is needed to the Base Figure in order to arrive at the overall goal. TDOT also considered the capacity of DBEs to perform work based upon past performance, as measured by the volume of work DBEs have performed in



recent years. Past projects used in this calculation are all transportation-related Federal-aid projects with similar scope, opportunities and characteristics of future projects to be let by TDOT, and are therefore suitable for use in this calculation. **Table 5** (next page) contains a summary of the expenditures to DBEs on projects for the last five (5) completed fiscal years. This chart indicates actual DBE attainments vs. commitments and money expended throughout TDOT for this period of time.

Table 5 – Past Performance 2018-2022

<u>FISCAL YEAR</u>	<u>GOAL COMMITMENT</u>	<u>GOAL ATTAINMENT</u>	<u>\$ EXPENDED</u>
<u>FFY 2022</u>			
Race Conscious	8.18%	7.55%	Prime: \$1,012,370,408
Race Neutral	1.43%	0.63%	DBE: \$82,793,874
	9.61%	8.18%	8.18%
<u>FFY 2021</u>			
Race Conscious	8.18%	7.91%	Prime: \$833,373,725
Race Neutral	1.43%	2.04%	DBE: \$82,926,504
	9.61%	9.95%	9.95%
<u>FFY 2020</u>			
Race Conscious	6.84%	9.99%	Prime: \$623,522,458
Race Neutral	1.43%	0.61%	DBE: \$66,108,248
	8.27%	10.60%	10.60%
<u>FFY 2019</u>			
Race Conscious	6.84%	6.60%	Prime: \$941,501,179
Race Neutral	1.43%	1.76%	DBE: \$78,709,213
	8.27%	8.36%	8.36%
<u>FFY 2018</u>			
Race Conscious	6.24%	6.83%	Prime: \$787,187,090
Race Neutral	1.43%	1.47%	DBE: \$65,334,426
	7.67%	8.30%	8.30%

Past Participation in order from lowest to highest: 8.18%, 8.30%, **8.36%**, 9.95%, 10.60%

We then averaged the five-year median Past Participation figure of 8.36% with our Step One Base Figure of 11.29% to arrive at a proposed goal of 9.85%:

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$$\frac{10.95\% + 8.36\%}{2} = \frac{19.31\%}{2} = 9.655\%$$

Adjusted Base Figure=9.66%

Anticipated Race-Neutral and Race-Conscious Methods

The federal regulations require TDOT to meet the maximum feasible portion of its overall goal by using race and gender-neutral (hereafter referred as race-neutral) means of facilitating DBE participation. TDOT will adjust the estimated breakout of race-neutral and race-conscious DBE participation as needed to reflect actual DBE participation (49 CFR 26.51(f)) and track and report race-neutral and race-conscious participation separately.

When a DBE is awarded a contract as the prime contractor, or when contractors award subcontracts to DBEs on projects with no goal or DBE usage exceeds the participation required by the project goal, this is recognized as race neutral participation.

TDOT uses the following means to increase race-neutral DBE participation:

- Continue the supportive services program to develop and improve immediate and long-term business management, record-keeping, and financial and/or accounting capabilities for small businesses;
- Provide assistance to DBEs to develop their capability to utilize emerging technology and conduct business through electronic media, including utilizing our own website to disseminate information, including our DBE Directory, bid opportunities, and updated information on Part 26;
- Provide supportive services to help DBEs improve long-term development, increase opportunities to participate in a variety of different kinds of work, handle increasingly significant projects, successfully compete as prime contractors, and achieve eventual self-sufficiency;
- Created a small business element for the DBE program;
- Provide networking opportunities with local, state and federal agencies, non-profit, academic and business communities to obtain maximum partnering opportunities and resources, and develop comprehensive resource and referral networks with technical assistance and service providers;

- Work with Tennessee Road Builders Association to involve DBEs and small businesses in events involving TDOT (as well as with other government and/or private contracting opportunities).

Breakout of Estimated Race-Neutral Participation

The following table contains a summary of all DBE race-neutral participation (prime contracting and sub-contracting opportunities) from the past five completed fiscal years. This chart provides the median percentage of contract work that DBEs have secured through race-neutral participation in the past.

Table 6 – DBE Race-Neutral Attainment on Consulting and Construction Contracts

Federal Fiscal Year	Race Neutral Attainment
2022	0.63%
2021	2.04%
2020	0.61%
2019	1.76%
2018	1.47%

Race Neutral attainment for last five years in order from lowest to highest

0.61% + 0.63% + 1.47% + 1.76% + 2.04%

Median % = 1.47%

Total FFY 2024 - 2026 Anticipated Race-Neutral Participation 1.47%

In an amendment to 49 CFR Part 26, which became effective March 5, 2010, FHWA revised the DBE goal setting guidance to have DOTs begin implementing three-year DBE goals, with the ability to revise the goal to better represent any changes in construction contract trends on an annual basis. In accordance with the new guidance, the Tennessee Department of Transportation has established its Disadvantaged Business Enterprise overall goal for the three-year period for federal fiscal years 2024 - 2026 at for new contracts, with **1.47%** to be obtained through those projects without goals (race-neutral methods) and the remaining through goals using race-conscious methods.

Final 3-Year FFY Goal Participation:

During the course of the following three FFYs, TDOT will continue to review the contracts awarded, including future contracts with possible DBE participation, to determine whether adjustments to the goal are warranted. Should TDOT determine that an adjustment to the DBE goal is warranted for a more accurate representation of contract trends, the revised DBE goal will be posted on the website of TDOT's Civil Rights Office Small Business Development Program at <https://www.tn.gov/tdot/civil-rights/small-business-development-program.html>.

DBE Goal Consultation Process / Public Participation

Steps to Incorporate Public Participation

1. New goal announced at 7/12/23 TRBA meeting
2. The process included online Teams meetings to provide public participation
3. Invitations sent to all DBEs currently on the TNUCP certification list prior to meeting
4. Invitations sent to all TNUCP certifying partners prior to meeting
5. Invitations sent to all members of the DBE Advisory Committee (this committee includes prime contractors, TDOT DBE contractors, members of the TDOT Construction, Local Programs and Legal Divisions, Local Banking Officials, Go-DBE Staff, MNAA and Airport and Transit staff).
6. Any written and verbal comments were recorded and submitted to FHWA
7. TDOT's DBE plan will be revised to address the consultation process

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PUBLIC NOTICE
Disadvantaged Business Enterprise Goal for FFY 2024-2026

The Tennessee Department of Transportation (TDOT) hereby announces its FFY 2024-2026 Disadvantaged Business Enterprise (DBE) Program Goal under the guidelines of 49 CFR Part 26 and the regulations and directions of the U. S. Department of Transportation (DOT) of 9.66% for participation in the Federal Highway Construction Program.

This goal has been set based upon information currently available and will be available for public inspection online at www.tn.gov/tdot/civil-rights/small-business-development-program.html

Written comments pertaining to this goal should be sent to the attention of the Small Business Development Program Director, at David.Neese@tn.gov. Comments will be accepted through August 1, 2023.

TDOT is an Equal Opportunity Employer