



pennsylvania
DEPARTMENT OF TRANSPORTATION

FHWA Disadvantaged Business Enterprise Program

Overall Goal and Methodology for Federal Fiscal
Years 2027 through 2029

September 19, 2026

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Report Overview

This report presents the Commonwealth of Pennsylvania (PA), Department of Transportation's (PennDOT) Disadvantaged Business Enterprise (DBE) Goal and Methodology for Federal Highway Administration (FHWA) assisted contracting during Federal Fiscal Years (FFY) 2027 through 2029. It documents the regulatory framework, data sources, calculations, supporting evidence, and implementation considerations used to establish PennDOT's overall DBE Goal. The report is organized into five parts that follow PennDOT's goal setting process.

I. **DBE Goal setting Process**

This section provides background on the federal DBE Program and the requirements of 49 C.F.R. Part 26. It summarizes PennDOT's overall methodology and describes changes to DBE certification and the reevaluation of previously certified Firms. The section also explains PennDOT's annual review process for monitoring changes in the contracting market, certified DBE population, federal requirements, and other conditions that may affect the goal during the triennial period.

II. **Step-One Baseline Availability**

This section establishes the Step-One baseline based on the Relative Availability of ready, willing, and able DBEs across four submarkets: Professional Services, Construction Prime Contractors, Construction Subcontractors, and Suppliers. The analysis calculates DBE availability within each submarket, project spending for Federal Fiscal Years 2027 through 2029 and weights the submarket ratios by projected expenditures. The resulting overall Step-One Baseline Ratio is 5.883%.

III. **Step-Two Adjustments**

This section reviews additional evidence to determine whether an adjustment to the Step-One Baseline Ratio is warranted under 49 C.F.R. § 26.45(d). PennDOT examines past participation among Firms in the current certified DBE population and available disparity study evidence. PennDOT determined that no Step-Two adjustment is warranted for the 2027 through 2029 goal period.

IV. **Final Goal Calculation**

With no Step-Two adjustment, the Step-One Baseline Ratio carries forward as PennDOT's final overall DBE Goal. Based on projected annual FHWA assisted spending of \$3.85 billion, this goal represents approximately \$226.5 million in annual DBE participation. This section also projects how the overall goal will be achieved through DBE-Conscious and DBE-Neutral Measures. Based on historical contracting patterns, PennDOT projects 5.347 percentage points of the overall goal through DBE-Conscious Measures and 0.536 percentage points through DBE-Neutral Measures.

V. **Addenda**

The addenda provide supporting information on PennDOT's DBE methodology and implementation. Appendix A defines key terms, agencies, programs, data systems, and methodological concepts. Appendix B describes goal administration and monitoring, including geographic markets, contract goals, good faith efforts, DBE-Neutral strategies, training, supportive services, and the Small Business Enterprise (SBE) Program. Appendix C documents consultation, outreach, public meetings, public notice, and public comment.

I. DBE Goal Setting Process

PennDOT's DBE Goal Setting Process establishes the framework used to determine the overall DBE Goal for federal fiscal years 2027 through 2029. The process reflects federal requirements, current DBE certification standards, available market evidence, and PennDOT's procedures for reviewing and updating the goal over the triennial period.

Regulatory Framework and Methodology

The Disadvantaged Business Enterprise Program requires recipients of U.S. Department of Transportation (U.S. DOT) funds to establish an overall goal for DBE participation in applicable federally-assisted contracting. Under 49 C.F.R. Part 26 (Part 26), the goal represents the level of DBE participation expected based on the availability of qualified DBE Firms in the relevant market and in the absence of discrimination. The methodology therefore compares the Relative Availability of DBE Firms with all Firms that are ready, willing, and able to perform work on PennDOT-assisted contracts.

The DBE Program is designed to promote fair competition in U.S. DOT assisted contracting, remove barriers to DBE participation, verify that participating Firms meet federal eligibility requirements, support Firm development within and beyond the DBE Program, and provide recipients with flexibility in developing approaches that reflect their contracting markets.

PennDOT develops its triennial DBE Goal and methodology in accordance with Part 26. The methodology also incorporates guidance issued by the U.S. Department of Transportation's Office of Small and Disadvantaged Business Utilization (OSDBU) in its 2013 *Tips for Goal Setting in the Disadvantaged Business Enterprise Program* (TIPS).¹ Under Part 26, PennDOT submits an overall DBE Goal to the FHWA every three years. PennDOT also conducts an annual review and prepares an Interim Market Update to assess changes in contracting conditions, the certified DBE population, applicable federal requirements, and other factors that may affect implementation of the DBE Program during the triennial period.

For federal fiscal years 2027 through 2029, PennDOT follows the two-step methodology described in 49 C.F.R. § 26.45. Step-One establishes a Baseline Ratio based on the Relative Availability of ready, willing, and able DBE Firms in the markets from which PennDOT obtains professional services Firms, contractors, subcontractors, and suppliers. The calculation accounts for differences in DBE availability across these submarkets and expected contracting activity within each. Step-Two considers additional evidence to determine whether an adjustment to the Step-One Baseline Ratio is warranted. PennDOT reviewed the available Step-Two evidence and determined that no adjustment is warranted for the 2027 through 2029 goal period.

After establishing the overall goal, PennDOT determines the portions it expects to achieve through DBE-Neutral and DBE-Conscious Measures. Under 49 C.F.R. § 26.51(a), recipients must meet the

¹ U. S. Department of Transportation, Federal Highway Administration. (2013). *Tips for Goal Setting in the Disadvantaged Business Enterprise (DBE) Program*.

maximum feasible portion of the overall goal through DBE-Neutral Measures. PennDOT, therefore, projects the portions of its overall goal through DBE-Neutral and DBE-Conscious Measures.

2025 Interim Final Rule

On October 3, 2025, the U.S. Department of Transportation, through the Office of the Secretary of Transportation, issued an Interim Final Rule (IFR) titled *Disadvantaged Business Enterprise Program and Disadvantaged Business Enterprise in Airport Concessions Program Implementation Modifications*. The rule was published at 90 Fed. Reg. 47969, became effective the same day, and amended the DBE regulations in Part 26 as well as the Airport Concession DBE regulations in 49 CFR Part 23.

The IFR eliminated the longstanding rebuttable presumptions of social and economic disadvantage based on race or sex. Under 49 C.F.R. § 26.67, individuals seeking to qualify a firm for DBE certification must affirmatively demonstrate social and economic disadvantage based on individualized evidence. The revised process requires an owner to submit a personal narrative describing specific experiences of disadvantage and supporting information used by the certifying agency to make an individualized determination.

The IFR also established a reevaluation process for Firms that were already certified as DBEs when the rule took effect. Under 49 C.F.R. § 26.111, each Unified Certification Program (UCP) must reevaluate currently certified Firms under the revised standards, recertify Firms that meet those standards, and decertify Firms that do not. State UCPs were directed to complete this process as quickly as practicable.

The IFR requirements had direct implications for PennDOT's DBE Program. Beginning October 3, 2025, recipients that were members of a UCP undergoing reevaluation could not establish DBE contract goals or count DBE participation toward overall goals until the UCP completed its reevaluation process. During this reevaluation period, recipients were also not required to update their overall DBE goals. U.S. DOT's Office of Civil Rights issued accompanying guidance explaining the requirements of the IFR.

Following issuance of the IFR, PennDOT suspended DBE contract goals while the Pennsylvania Unified Certification Program (PAUCP) reevaluation process was underway. On September 1, 2026, the PAUCP notified USDOT that the reevaluation process was complete. Following the completion of the PAUCP process, PennDOT developed the 2027 through 2029 triennial goal based on the available population of DBE Firms.

Accordingly, the methodology presented in this report reflects the DBE population established under the current certification and reevaluation requirements as of PennDOT's data capture date described in Step-One. Firms that had completed the required process and met the revised DBE certification standards by that date are treated as DBEs in the Step-One availability calculations.

Annual Review and Interim Market Update

PennDOT establishes a formal DBE Goal and methodology every three years. During each year of the triennial period, PennDOT conducts an annual review to identify changes in the contracting market, the certified DBE population, applicable regulations and policies, and other relevant

factors. An annual Interim Market Update applies the approved triennial methodology to the review's findings.

PennDOT's formal methodology remains in effect for the three-year goal period unless changing conditions or FHWA direction warrant an update. As part of each annual review, PennDOT will:

- Review changes to 49 C.F.R. Part 26 and requirements associated with the IFR;
- Review relevant regulatory or policy changes that may impact DBE Program;
- Review relevant DBE related judicial decisions;
- Review updated methodologies and guidance applicable to DBE Goal setting;
- Update Ready, Willing and Able (RWA) Firm and Ready, Willing, and Able Disadvantage Business Enterprise (RWA DBE) lists;
- Update contracting and expenditure data;
- Recalculate projected spending and submarket weights;
- Review new disparity study findings or other relevant market evidence as available to determine appropriateness for incorporation;
- Recalculate Step-One baseline figures;
- Review evidence relevant to potential Step-Two adjustments; and
- Document changes in market conditions, data, calculations, and methodology.

These annual recalculations allow PennDOT to assess whether the approved triennial goal continues to reflect current market conditions. Changes in individual inputs or calculations do not automatically result in a revised overall goal. PennDOT will use the results of each Interim Market Update to determine whether changes in market conditions or the DBE population warrant revision of the overall goal. When an updated interim goal is warranted, PennDOT will submit the revised goal and supporting documentation to FHWA for review and approval.

PennDOT expects the certified DBE population to continue changing following implementation of the current certification and reevaluation requirements. New applications, completed certification decisions, and additional experience under the revised program may provide a more complete picture of available and potentially eligible Firms to participate as DBEs. PennDOT will monitor these developments and revisit the potential DBE analysis after sufficient data are available to evaluate how the DBE Program is operating under the revised certification requirements. Future analyses may examine Firms seeking certification, certification outcomes, changes in the size and composition of the certified DBE population, and other evidence relevant to understanding potential DBE availability. PennDOT will consider these findings as part of future Interim Market Updates and triennial goal setting methodologies.

In an effort to identify Firms outside the bidders list in alignment with FHWA guidance, PennDOT also plans to partner with the Pennsylvania Department of General Services (DGS) to explore development of a Comprehensive Firm Directory that would integrate Firm information from multiple Commonwealth sources. If developed, the directory would provide a broader and more consistent source for identifying and reconciling RWA Firms across PennDOT's submarkets and strengthen the data available for future DBE analyses, Interim Market Updates, and triennial goal setting.

II. Step-One: Baseline Availability

Step-One of PennDOT's DBE goal setting process follows 49 C.F.R. § 26.45(c) and establishes a base figure for DBE participation in federally assisted contracts. PennDOT identifies the Relative Availability of ready, willing, and able DBEs within four submarkets: Professional Services, Construction Prime Contractors, Construction Subcontractors, and Suppliers. The Step-One process first identifies the Ready, Willing, and Able (RWA) Firm population within each submarket, calculates DBE availability, projects future spending, and then weights the submarket availability ratios according to projected expenditures.

Ready, Willing, and Able Firms

PennDOT calculates DBE availability as a percentage of Ready, Willing, and Able Firms across the four submarkets. The Firm population and certification status used for the analysis reflect conditions as of September 1, 2026. Firms that had completed the applicable certification or reevaluation process and performed work types relevant to PennDOT contracts as of September 1, 2026 were counted as RWA DBEs in Step-One.

PennDOT compiles the RWA Firm inventory by combining records from the qualification, bidder, prequalification, supplier, and bulletin sources identified in **Figure 1**.

Figure 1: RWA Firm Data Sources by Submarket

Professional Services Firms providing engineering, construction inspection, consulting, or research services. RWA Firm Sources •ECMS qualification packages listing an engineering work type •Bureau of Office Services bidders on federally assisted contracts •Bureau of Planning and Research bidders on federally assisted contracts	Construction Prime Contractors Firms contracting directly with PennDOT to undertake highway construction projects. RWA Firm Sources •Prime Contractor prequalification list
Construction Subcontractors Firms performing portions of highway construction projects under subcontract with Prime Contractors. RWA Firm Sources •Subcontractor prequalification list	Suppliers Firms manufacturing or distributing materials used in highway construction. RWA Firm Sources •Suppliers featured in PennDOT Bulletins 14, 15, 41, and 42 •Currently certified firms listed on PennDOT's DBE Supplier list

Preparing RWA Firm records for analysis required extensive processing and reconciliation across source systems. PennDOT standardized Firm names, addresses, identifiers, contact information, variable formats, and work type information; identified and removed duplicate records within and across sources; assigned Firms to the appropriate submarkets; reconciled Firms appearing in multiple submarkets; matched RWA Firms to DBE certification and reevaluation records; resolved certification status differences; and reviewed unmatched records, exclusions, corrections, and final Firm counts. PennDOT's process produced a final reconciled RWA Firm inventory for each of the four submarkets and corresponding RWA DBE records for use in the availability calculations.

Part 26 requires recipients to look beyond the bidders list when identifying Firms that may be available to participate as DBEs for goal calculation purposes. Potential DBEs are included in addition to Firms that had completed DBE certification or reevaluation by the data capture date as of September 1, 2026. Of these Firms, the counts that also met the RWA criteria are presented in **Table 1**.

Table 1: RWA Firms and DBE Status by Submarket as of September 1, 2026

Submarket	Total RWA Firms	Certified RWA DBEs	Pending RWA DBEs	Total RWA DBEs
Professional Services	434	73	6	79
Prime Contractors	515	5	1	6
Subcontractors	1730	117	10	127
Suppliers	2207	32	1	33

Note: Certified RWA DBEs are Firms that met the applicable DBE certification or reevaluation requirements as of September 1, 2026, and also met the RWA criteria for the corresponding submarket. Pending RWA DBEs are Firms with pending DBE reevaluation or certification that also met the RWA criteria. Total RWA DBEs is the sum of Certified RWA DBEs and Pending RWA DBEs used in Step One.

For example, following reconciliation, the Professional Services inventory contained 434 unique RWA Firms identified through current qualification packages in PennDOT's Engineering and Construction Management System (ECMS) and records of Firms that bid on federally assisted contracts procured by PennDOT's Bureau of Office Services or Bureau of Planning and Research. The four reconciled submarket inventories provide the basis for calculating DBE availability.

Relative Availability of DBEs by Submarket

For each submarket, PennDOT calculated a DBE Availability Ratio by dividing the number of RWA DBE Firms by the total number of RWA Firms in that submarket. **Table 2** presents the number of RWA DBE Firms, total RWA Firms, and resulting DBE Availability Ratio for each submarket. These ratios represent the Relative Availability of DBE Firms before accounting for differences in anticipated spending across the four submarkets.

Because PennDOT expects different levels of spending across the four submarkets, these availability ratios are weighted according to projected expenditures when calculating the overall Step-One Baseline Ratio.

Table 2: FHWA DBE Ratio by Submarket

Submarket	Total RWA Firms	Total RWA DBEs	DBE Ratio
Professional Services	434	79	18.203%
Prime Contractors	515	6	1.165%
Subcontractors	1730	127	7.341%
Suppliers	2207	33	1.495%

Note: Preliminary Baseline Ratio = RWA DBE Firms ÷ RWA Total Firms

Projected Future Spending by Submarket

PennDOT used financial data from ECMS and internal planning sources to estimate average annual federally assisted contract spending during the 2027 through 2029 triennium. PennDOT projects approximately \$3.0 billion in annual Construction Submarkets spending and an average of \$850 million in annual Professional Services spending, for total projected annual spending of \$3.85 billion.

In addition to the submarket of Professional Services, PennDOT allocated projected Construction Submarkets spending across Construction Prime Contractors, Construction Subcontractors, and Suppliers based on each submarket's share of Construction spending in the most recent calendar year used for the analysis. **Table 3 and Figure 2** presents projected annual spending, each submarket's share of total projected spending, including Professional Services and the share of projected Construction Submarkets spending represented by each of the three construction submarkets.

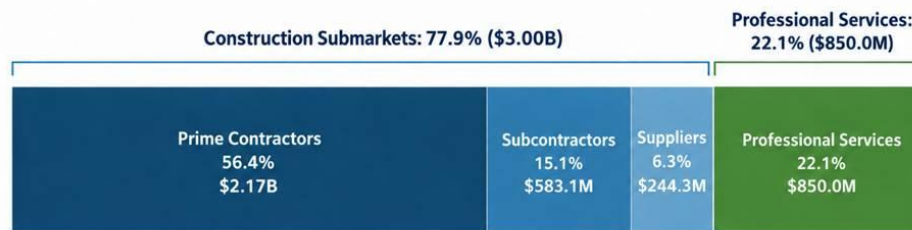
Table 3: Projected Annual Spending by Submarket, 2027 Through 2029

Submarket	Projected Spending	Percent of All Markets	Percent of Construction Submarkets
Professional Services	\$ 850,000,000	22.078%	NA
Prime Contractors	\$ 2,172,631,566	56.432%	72.421%
Subcontractors	\$ 583,069,759	15.145%	19.436%
Suppliers	\$ 244,298,675	6.345%	8.143%
Total	\$ 3,850,000,000	100.000%	100.000%

Note: Projected spending estimates are based on PennDOT ECMS data and internal planning sources. Construction Submarkets allocations are based on each submarket's share of construction spending in the fiscal year used for the analysis.

Figure 2: Projected Annual Spending by Submarket, 2027 Through 2029

Total projected annual spending: \$3.85 billion



Step-One Overall Baseline Calculation

The final Step-One calculation combines the Relative Availability of DBE Firms within each submarket with the share of PennDOT's projected spending expected to occur in that submarket. Weighing the submarket ratios accounts for differences in both DBE availability and projected spending across the four submarkets. For each submarket, PennDOT multiplied the DBE Availability Ratio by the submarket's percentage of total projected spending.

Table 4 presents the complete weighted calculation. Professional Services contributes 4.019 percentage points to the overall baseline, Construction Prime Contractors contributes 0.657 percentage points, Construction Subcontractors contributes 1.112 percentage points, and Suppliers contributes 0.095 percentage points. The sum of these weighted contributions produces PennDOT's overall Step-One Baseline Ratio of **5.883%**.

Table 4: Step-One Overall Baseline Ratio Calculation

Submarket	DBE Baseline Ratio	Percent of Total Spending	Weighted DBE Ratio
Professional Services	18.203%	22.078%	4.019%
Prime Contractors	1.165%	56.432%	0.657%
Subcontractors	7.341%	15.145%	1.112%
Suppliers	1.495%	6.345%	0.095%
Total		100.000%	5.883%

Note: Weighted Contribution to Overall Baseline = DBE Availability Ratio × Percent of Total Projected Spending. Weighted contributions are expressed in percentage points. Calculations using displayed values may differ slightly due to rounding.

Construction Submarkets and Professional Services Baseline Ratios

In addition to the overall Step-One Baseline Ratio, PennDOT calculates separate baseline ratios for Construction Submarkets and Professional Services for use in establishing and administering the respective portions of its DBE Goal.

For Construction Submarkets, PennDOT combines the Construction Prime Contractor, Construction Subcontractor, and Supplier submarkets and weights each DBE Availability Ratio according to its share of projected construction spending. **Table 5** applies these construction

spending weights to the corresponding availability ratios. The weighted contributions sum to a Construction Submarkets Step-One Baseline Ratio of **2.392%**.

Table 5: Construction Submarkets Step-One Baseline Ratio Calculation

Construction Submarkets	DBE Availability Ratio	Percent of Projected Construction Spending	Weighted Contribution to Construction Baseline
Prime Contractors	1.165%	72.421%	0.844%
Subcontractors	7.341%	19.436%	1.427%
Suppliers	1.495%	8.143%	0.122%
Total		100.000%	2.392%

Note: Weighted Contribution to Construction Submarkets Baseline = DBE Availability Ratio × Percent of Projected Construction Spending. Weighted contributions are expressed in percentage points. Calculations using displayed values may differ slightly due to rounding.

Professional Services constitutes a separate submarket and is not combined with the Construction Submarkets for purposes of calculating its individual baseline. Because Professional Services consists of a single submarket, its Step-One Baseline Ratio is equal to its DBE Availability Ratio of 18.203%.

The Step-One analysis therefore produces three related figures: an overall Step-One Baseline Ratio of 5.883%, a Construction Submarkets Step-One Baseline Ratio of 2.392%, and a Professional Services Step-One Baseline Ratio of 18.203%. These figures provide the basis for PennDOT's review of additional evidence under Step-Two

III. Step-Two: Adjustments

Under 49 C.F.R. § 26.45(d), PennDOT must examine all available evidence to determine what adjustment, if any, is needed to the Step-One Baseline Ratio. If the evidence does not suggest that an adjustment is necessary, no adjustment is made. Federal regulations also require PennDOT to describe the evidence considered in establishing the goal, identify any adjustments made, and, where applicable, explain why relevant available evidence was not used to adjust the baseline.

For the 2027 through 2029 triennium, PennDOT considered two principal sources of Step-Two evidence: the 5-year median past participation by Firms included in the current RWA DBE population and available disparity study evidence. PennDOT evaluated past participation for the current RWA DBE population but did not include disparity evidence for the reasons explained below to determine whether the Step-One Baseline Ratio should be adjusted.

Past Participation

Under 49 C.F.R. § 26.45(d)(1)(i), Step-Two consideration includes the current capacity of DBEs to perform work in federally assisted contracting, as measured by the volume of work currently certified DBEs have performed in recent years. Past participation therefore provides evidence of demonstrated DBE capacity but is considered in relation to, rather than substituted for, the Step-One measure of current Relative Availability.

The DBE population identified following implementation of the IFR differs substantially from the population of Firms that participated as DBEs in prior years. As a result, historical DBE participation based on the DBE population that existed before the IFR would not directly measure current DBE capacity. PennDOT therefore recalculated past participation using only Firms included as RWA DBEs in the current Step-One analysis.

For each of the previous five federal fiscal years, PennDOT identified the dollar value of federally assisted work performed by Firms included in the current RWA DBE population and divided that amount by total federally assisted expenditures for the corresponding year. This calculation provides a historical participation rate based on the current DBE population rather than the larger population of Firms that qualified as DBEs under the previous certification framework.

Table 6: Past Participation of Current RWA DBEs, Federal Fiscal Years 2021 Through 2025

Federal Fiscal Year	Participation Rate of Current RWA DBEs
2025	3.941%
2024	6.611%
2023	6.403%
2022	5.792%
2021	5.542%
Median	5.792%

Note: Annual participation rate = federally assisted work performed by Firms included in the current RWA DBE population ÷ total federally assisted expenditures for corresponding years.

PennDOT uses the median participation rate of 5.792% because it reduces the influence of unusually high or low annual values. TIPS guidance advises recipients that past participation figures that are “very similar” to Step-one Baseline Ratio do not warrant an adjustment.

The Step-One Baseline Ratio of 5.883% is based on the current RWA DBE population, current submarket availability, and projected spending for the 2027 through 2029 triennium. PennDOT therefore determines that past participation does not provide sufficient evidence to adjust the Step-One Baseline Ratio. Under 49 C.F.R. § 26.45(d), no adjustment is made when the available evidence does not indicate that one is needed.

Disparity Study Evidence

49 C.F.R. § 26.45(d)(1)(ii) identifies disparity studies conducted within the recipient’s jurisdiction as another source of evidence to consider in Step-Two, to the extent that the evidence is not already reflected in the Step-One base figure. When a disparity study provides a detailed capacity analysis, the regulation also directs recipients to consider the methodology used.

BBC Research completed a Pennsylvania disparity study in 2024, and PennDOT used portions of that study in prior FHWA goal submissions. The 2024 disparity study predates the IFR and evaluates a contracting market and DBE population defined under the certification framework in place before October 3, 2025. The current Step-One analysis, in contrast, is based on Firms that meet the revised certification standards. Although portions of the 2024 study may continue to provide useful information about broader contracting market conditions, its DBE availability and capacity

evidence does not directly represent the substantially changed DBE population used in the current methodology. PennDOT, therefore, did not use the 2024 disparity study to adjust the Step-One Baseline Ratio.

PennDOT has reengaged BBC Research to conduct additional analyses reflecting the revised Part 26 requirements and the current DBE population. PennDOT will review those findings as they become available and consider their implications in future Interim Market Updates.

Step-Two Determination

PennDOT analyzed the applicability of 5-year median past participation by Firms in the current RWA DBE population and the available disparity study evidence. Past DBE participation figures are not different enough from the Step-One Baseline ratio to warrant an adjustment. Additionally, the 2024 disparity study reflects the prior DBE population and does not provide a direct measure of availability or capacity for the Firms identified under the revised standards.

Accordingly, neither past participation of RWA DBEs nor the existing disparity study, provide sufficient evidence that the current Step-One Baseline Ratio should be adjusted. Therefore, PennDOT made no Step-Two adjustment, and the 5.883% Step-One Baseline Ratio carries forward as PennDOT's overall DBE Goal for the 2027 through 2029 triennium.

IV. Final Goal Calculation

After reviewing past participation and available disparity study evidence, PennDOT determined that no Step-Two adjustment to the Step-One Baseline Ratio was warranted. Accordingly, the Step-One calculation carries forward unchanged as PennDOT's final overall DBE Goal of 5.883%. This section translates the overall goal into projected DBE participation and estimates the portions expected to be achieved through DBE-Neutral and DBE-Conscious Measures.

Projected DBE Participation

PennDOT projects average annual federally assisted spending of \$3.0 billion for Construction Submarkets and \$850 million for Professional Services, for total annual spending of \$3.85 billion. Applying the final DBE Goal of 5.883% to projected annual spending results in approximately \$226.5 million in annual DBE participation: $\$3,850,000,000 \times 5.883\% = \$226,491,959.06$. If annual expenditures are consistent with these projections, approximately \$679.5 million in DBE participation would occur across the 2027 through 2029 triennium. Actual DBE participation will depend on actual federally assisted expenditures during the goal period.

Table 7: Projected DBE Participation

Measure	Projected Amount
Annual Construction Submarkets Spending	\$ 3,000,000,000
Annual Professional Services Spending	\$ 850,000,000
Total Annual Federally Assisted Spending	\$ 3,850,000,000
Overall DBE Goal	5.883%
Estimated Annual DBE Participation	\$ 226,491,959.06
Estimated DBE Participation, 2027 through 2029	\$ 679,475,877.17

Note: Three-year estimates assume annual projected spending and DBE goals remain constant.

DBE-Neutral and DBE-Conscious Attainment

Under 49 C.F.R. § 26.51(a), recipients must meet the maximum feasible portion of their overall DBE Goal through DBE-Neutral Measures. DBE-Neutral Measures facilitate DBE participation through approaches available to all small businesses, while DBE-Conscious Measures are directed specifically toward DBEs and include contract specific DBE goals when appropriate. The overall DBE Goal remains the same regardless of the combination of DBE-Neutral and DBE-Conscious Measures used to achieve it.

Under 49 C.F.R. § 26.51(c), PennDOT must project the portion of its overall goal expected to be achieved through DBE-Neutral Measures and provide the basis for that projection. TIPS guidance identifies historical participation as one source of information that may be considered when developing this projection and recommends examining multiple years when possible.

For each of the previous five federal fiscal years, PennDOT calculated the share of total DBE participation by current RWA DBEs that was achieved through DBE-Conscious Measures. The remaining share was classified as DBE-Neutral participation. For example, if 90% of DBE participation in a year occurred through DBE-Conscious Measures, the remaining 10% was attributed to DBE-Neutral participation. As shown in **Table 8**, the median DBE-Conscious share across the five years was 90.90%; the corresponding median DBE-Neutral share was 9.10%.

Table 8: DBE-Conscious Share of Participation Among Current RWA DBEs, FFYs 2021 Through 2025

Federal Fiscal Year	DBE-Conscious Share of DBE Participation
2025	87.31%
2024	93.06%
2023	90.90%
2022	92.38%
2021	90.22%
Median	90.90%

Note: The DBE-Conscious share represents the percentage of total DBE participation by Firms in the current RWA DBE population that occurred through DBE-Conscious Measures. The corresponding DBE-Neutral share is the remainder of total DBE participation.

PennDOT uses these historical shares as a reasonable basis for projecting future DBE-Neutral and DBE-Conscious attainment among the current DBE population. The approach adapts the historical

evidence described in TIPS to account for the substantial change in the certified DBE population following implementation of the revised certification framework. The historical shares are used as projections of how the overall goal may be achieved, not as separate DBE goals. PennDOT applied the median shares to the final overall DBE Goal of 5.883%:

Table 9: Projected DBE-Neutral and DBE-Conscious Attainment

Method of Attainment	DBE Goal Value	Multiplier Median Share of DBE Attainment	Projected Percentage Points of Overall Goal
DBE-Conscious	5.883%	90.90%	5.347%
DBE-Neutral	5.883%	9.10%	0.536%

Note: Projected Percentage Points of Overall Goal = Final DBE Goal × Historical Median Share of DBE Participation. Calculations using displayed values may differ slightly due to rounding.

The 5.883% overall DBE Goal remains PennDOT's goal regardless of the method through which participation occurs. The 5.347 and 0.536 percentage point figures represent projected methods of attaining that overall goal rather than separate goals. Consistent with 49 C.F.R. § 26.51, PennDOT will seek to meet the maximum feasible portion of its overall goal through DBE-Neutral Measures and will monitor actual DBE-Neutral and DBE-Conscious participation throughout the triennium. PennDOT will revise the projected allocation as appropriate based on actual attainment.

DBE Goal Summary

PennDOT's 2027 through 2029 DBE Goal reflects the Relative Availability of DBEs within the markets in which PennDOT contracts, projected federally assisted spending, recent participation by the current DBE population, and available Step Two evidence. Based on this analysis, PennDOT established an overall DBE Goal of 5.883% and determined that no Step Two adjustment was warranted. PennDOT projects that 5.347 percentage points of the overall goal will be achieved through DBE Conscious Measures and 0.536 percentage points through DBE Neutral Measures. PennDOT will monitor market conditions, DBE participation, certification activity, and other relevant evidence throughout the triennium and will update its analysis when warranted.

V. Addenda

Appendix A: Terminology

The following terms are used throughout this report. Definitions based on federal regulation are consistent with 49 C.F.R. Part 26. Other definitions describe terms specific to PennDOT's methodology.

Bureau of Workforce and Business Opportunity (BWBO) — The PennDOT bureau responsible for programs related to equal opportunity, business opportunity, and workforce opportunity. PennDOT established the current bureau structure in January 2026 by renaming the Bureau of Equal Opportunity and creating Equal Opportunity, Business Opportunity, and Workforce Opportunity divisions. Its responsibilities include PennDOT's DBE and SBE programs and related compliance and opportunity activities.

Commonwealth of Pennsylvania (PA) — The state government and geographic jurisdiction of Pennsylvania. In this report, PA is used when referring to Pennsylvania as a geographic area or governmental jurisdiction.

Comprehensive Firm Directory — proposed list in collaboration with the Department of General Services that would integrate firm information from multiple Commonwealth sources that is separate from the PAUCP directory.

Construction Prime Contractors — Firms that contract directly with PennDOT to perform highway construction projects and are responsible for completing the work required under the prime contract. For this methodology, PennDOT identifies RWA Construction Prime Contractors from its Construction Prime Contractor prequalification list.

Construction Subcontractors — Firms that perform specific portions of highway construction work under subcontracts with Construction Prime Contractors rather than contracting directly with PennDOT for the overall project. For this methodology, PennDOT identifies RWA Construction Subcontractors from its subcontractor prequalification list.

Construction Submarkets — Refers to the combined submarkets of Construction Prime Contractors, Construction Subcontractors, and Suppliers.

DBE-Conscious Measures — Measures focused specifically on assisting DBEs. Under Part 26, DBE-Conscious Measures include the use of contract specific DBE goals when permitted by federal regulation.

DBE Goal — PennDOT's overall percentage goal for DBE participation in federal aid highway funds expected to be expended through FHWA assisted contracts during the three federal fiscal years covered by the goal. The goal is based on the relative availability of DBEs and other relevant evidence under the two-step process in 49 C.F.R. § 26.45.

DBE-Neutral Measures — Measures that assist all small businesses rather than DBEs alone. DBE-Neutral participation includes, for example, small business participation, a DBE winning a prime

contract through customary competitive procurement or receiving a subcontract on a contract without a DBE contract goal.

Disadvantaged Business Enterprise (DBE) — A for profit small business that is at least 51 percent owned by one or more individuals who are socially and economically disadvantaged and whose management and daily business operations are controlled by those owners. Under Part 26 requirements, social and economic disadvantage must be demonstrated individually and may not be determined based in whole or in part on race or sex.

Engineering and Construction Management System (ECMS) — PennDOT's online system containing information on construction projects, construction contracts, and consultant agreements. ECMS also supports functions such as PennDOT Business Partner registration and access to procurement and contracting information used in this methodology.

Federal Fiscal Year (FFY) — The federal government's annual accounting period, which begins October 1 and ends September 30 of the following calendar year. For example, Federal Fiscal Year 2027 begins October 1, 2026, and ends September 30, 2027.

Federal Highway Administration (FHWA) — An operating administration of the U.S. Department of Transportation responsible for the federal highway program and federal stewardship of the nation's highways, bridges, and tunnels.

Firm — A broad term used in this report for a business entity, including a corporation, limited liability company, partnership, sole proprietorship, or other business structure.

Interim Final Rule (IFR) — The U.S. Department of Transportation rule issued by the Office of the Secretary of Transportation and effective October 3, 2025, that amended 49 C.F.R. Parts 23 and 26. Among its changes, the IFR removed race and sex-based presumptions of social and economic disadvantage and required Unified Certification Programs to reevaluate Firms certified under the previous requirements.

Interim Market Update — PennDOT's annual review of current market conditions during the period covered by a triennial DBE Goal. The review applies the approved methodology to updated Firm, expenditure, certification, disparity study, and other relevant data to determine whether material changes warrant reconsideration of the DBE Goal.

Local Geographic Market — The geographic area PennDOT identifies as relevant to each submarket based on Firm locations, winning bidder locations, and contract expenditures. PennDOT uses a 95 percent threshold to determine whether the appropriate market is Pennsylvania, Pennsylvania and its bordering states, or the entire United States.

North American Industry Classification System (NAICS) Codes — Standard codes used to classify business establishments according to their economic activities. NAICS codes are used in the DBE Program to identify the types of work a Firm is certified and qualified to perform.

Office of Small and Disadvantaged Business Utilization (OSDBU) — An office within the U.S. Department of Transportation that supports opportunities for small and disadvantaged businesses through contracting assistance, technical assistance, financial services, and related programs.

Part 26 — Title 49, Part 26, of the Code of Federal Regulations, titled *Participation by Disadvantaged Business Enterprises in Department of Transportation Financial Assistance Programs*.

Pennsylvania Department of Transportation (PennDOT) — The Commonwealth agency responsible for Pennsylvania’s state transportation system and programs. As a recipient of FHWA financial assistance, PennDOT administers an FHWA DBE Program in accordance with 49 C.F.R. Part 26.

Pennsylvania Unified Certification Program (PAUCP) — Pennsylvania’s statewide Unified Certification Program for the DBE Program. The PAUCP makes DBE certification decisions on behalf of recipients throughout the Commonwealth, allowing Firms certified through the program to participate as DBEs on eligible FAA, FHWA, and FTA assisted contracts in Pennsylvania. PennDOT is a PAUCP certifying agencies along with Allegheny County, Philadelphia International Airport, Pittsburgh Regional Transit, and Southeastern Pennsylvania Transportation Authority.

PennDOT DBE Firms — Firms recognized as currently certified DBEs for purposes of PennDOT’s federally assisted contracting program.

Professional Services — Firms that provide engineering, highway construction inspection, consulting, transportation related research, or other professional services associated with PennDOT transportation projects. For this methodology, PennDOT identifies RWA Professional Services Firms through current qualification packages in ECMS that list at least one engineering work type and through records of Firms that have bid on federally assisted contracts let by PennDOT’s Bureau of Office Services or Bureau of Planning and Research.

Potential DBE — Firms with a pending application for DBE certification as of September 1, 2026, that is under review by the PAUCP in accordance with 49 C.F.R. Part 26.

Ready, Willing, and Able (RWA) Firms — Firms identified as available to compete for or perform the types of work PennDOT expects to fund during the goal period within the relevant geographic market. PennDOT identifies RWA Firms using the qualification, bidder, prequalification, supplier, and bulletin sources applicable to each of the four submarkets.

Ready, Willing, and Able Disadvantaged Business Enterprise (RWA DBE) — A Firm that meets PennDOT’s criteria for an RWA Firm and is currently certified as a DBE through the PAUCP or through an out of state Unified Certification Program whose certification is recognized under the interstate certification provisions of Part 26.

Relative Availability — The availability of RWA DBEs relative to all businesses that are ready, willing, and able to participate in PennDOT’s federally assisted contracts. Relative availability is the basis for the Step-One calculation required by 49 C.F.R. § 26.45.

Small Business Enterprise (SBE) — A for profit small business certified through PennDOT’s SBE Program, which operates under 49 C.F.R. § 26.39 to facilitate small business participation in federally assisted transportation projects

Step-One — The first stage of the DBE goal setting process under 49 C.F.R. § 26.45. During Step-One, PennDOT establishes a base figure representing the relative availability of DBEs in the markets relevant to its federally assisted contracting activity.

Step-One Baseline Ratio — PennDOT’s overall base figure produced at the completion of Step-One. PennDOT calculates the ratio by weighing the DBE availability ratio for submarkets according to its share of projected expenditures.

Step-One Baseline Submarket Ratio — The relative availability of DBEs within an individual submarket, calculated by dividing the number of RWA DBE Firms by the total number of RWA Firms in that submarket. PennDOT combines the submarket ratios using projected expenditure weights to calculate the overall Step-One Baseline Ratio.

Step-Two — The second stage of the DBE goal setting process under 49 C.F.R. § 26.45. During Step-Two, PennDOT reviews available evidence, including information about current DBE capacity and relevant disparity studies, to determine whether an adjustment to the Step-One Baseline Ratio is warranted. If the evidence does not support an adjustment, the Step-One figure remains unchanged.

Submarkets — Distinct categories of PennDOT contracting activity defined by the types of work Firms perform. For this methodology, the four submarkets are Professional Services, Construction Prime Contractors, Construction Subcontractors, and Suppliers.

Suppliers — Firms that manufacture, furnish, or distribute materials used in highway construction, including materials incorporated into PennDOT transportation projects. For this methodology, PennDOT identifies RWA Suppliers from PennDOT Bulletins 14, 15, 41, and 42 and the PennDOT DBE Supplier list.

Tips for Goal Setting in the Disadvantaged Business Enterprise Program (TIPS) — U.S. Department of Transportation guidance that provides additional information and recommended practices for developing DBE overall goals, including Step-One, Step-Two, and projections of DBE-Neutral and DBE-Conscious attainment. TIPS is guidance used in conjunction with Part 26 and is not itself a regulation. TIPS documentation is accessible at:
<https://www.transportation.gov/osdbu/disadvantaged-business-enterprise/tips-goal-setting-disadvantaged-business-enterprise>.

U.S. Department of Transportation (U.S. DOT) — The United States federal department responsible for national transportation programs and policy. For purposes of Part 26, U.S. DOT includes the Office of the Secretary, the Departmental Office of Civil Rights, FHWA, the Federal Transit Administration, and the Federal Aviation Administration.

U.S. Small Business Administration (SBA) — An independent federal agency that supports small businesses through access to capital, counseling and training, federal contracting assistance, and disaster assistance. SBA establishes industry size standards that are incorporated into DBE and PennDOT SBE eligibility requirements.

Appendix B: Administration, Implementation, and Monitoring

Contract monitoring and adjustment are required during the course of the goal period. Following the implementation of an overall goal, PennDOT is charged with a monitoring function relative to DBE Goal commitments and DBE Goal attainments. PennDOT fulfills this mandate by collecting and analyzing data collected and reported to its Bureau of Workforce and Business Opportunity (BWBO). This data is reported to BWBO by impacted DBE program areas within the submarkets of PennDOT that regularly set and implement project goals.

Local Geographic Market

PennDOT defines the geographic market for each submarket by examining Firm locations, winning bidders, and contract expenditures. The analysis reflects: 1) the states where Professional Services Firms have their primary offices, as recorded in ECMS, weighted by payments to those Firms; 2) the states where winning Prime Contractors have their primary offices, weighted by the value of awarded bids; 3) the states where Subcontractors have their primary offices, weighted by payments to those Firms; and 4) the states where Suppliers have offices, as identified in the DBE Supplier list and PennDOT Bulletins 14, 15, 41, and 42.

The analysis uses geographic information from the same PennDOT qualification lists, bulletins, and PAUCP records used to identify RWA Firms and DBE Firms. Following TIPS guidance, PennDOT defines the geographic market as the area representing a substantial majority of Firms doing business with PennDOT or a significant share of contract activity. PennDOT uses 95% as the threshold.

If at least 95% of Firms, winning bids, or expenditures for a submarket are located in Pennsylvania, the geographic market is Pennsylvania. If the 95% threshold is reached only when bordering states are included, the market is Pennsylvania and bordering states. If the threshold is still not reached, the market is the entire United States. Using this approach, PennDOT determined that the geographic market for Professional Services, Construction Prime Contractors, and Construction Subcontractors is Pennsylvania and bordering states, while the market for Suppliers is the entire United States. The 2025 geographic area for Professional Services is shown for illustration.

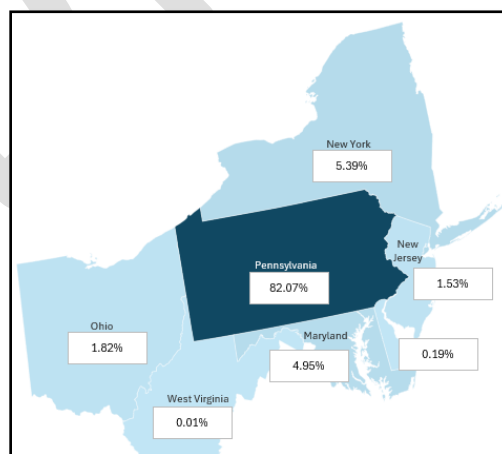


Figure 3: Percent of Professional Services Submarket Spending 2025

Contract Goals and Adjustment of the Goal

PennDOT will use DBE project specific contract goals to meet any portion of the overall goal that PennDOT does not estimate being able to meet using DBE-neutral means. DBE project specific contract goals are established so that, over the period to which the overall DBE goal applies, they will cumulatively result in meeting any portion of the overall DBE goal that is not projected to be met using DBE-neutral means.

- Contract goals apply to FHWA-assisted contracts that have subcontracting possibilities.
- PennDOT may elect not to establish a goal on every contract, and the size of contract goals will be adapted to the circumstances of each such contract (e.g., type and location of work, Relative Availability of DBEs to perform the particular type of work).
- The DBE project specific contract goal for a specific contract may be higher or lower than that percentage level of the overall goal, depending upon other factors such as the type of work for the project, the location of the project work, and the availability of DBEs for that particular contract.

As part of its goal monitoring efforts, PennDOT may adjust the goal in accordance with 49 C.F.R. § 26.45(f) and 49 C.F.R. § 26.51(f). Section 26.45(f) of Part 26 states that overall goals may be adjusted during a three-year period to reflect changed circumstances. See 49 C.F.R. § 26.45(f). Section 26.51 of Part 26 states that if, during the course of any three-year period in which PennDOT is using contract goals, PennDOT determines that it will exceed its overall goals, it must reduce or eliminate the use of contract goals to the extent necessary to ensure that the use of contract goals does not result in exceeding the overall goal. See 49 C.F.R. § 26.51(f). Similarly, if PennDOT determines that it will fall short of the overall goal, it will make appropriate modifications in its use of DBE-neutral or DBE-conscious (contract) measures and adjust individual project goals to allow PennDOT to meet the overall goal. See 49 C.F.R. § 26.51(f).

DBE Training

PennDOT is mandating training on the DBE program for its construction managers, subrecipient transit agencies, and prime/subcontractors during the pre-bid and pre-construction phases. This training includes regulatory requirements, the importance of goal attainment, good faith effort in contracting, prompt payment, reporting, the small business enterprise (SBE) element, and supportive services programs. It also includes a review of the PAUCP Directory to generate sample DBE lists by common transportation North American Industry Classification System Codes (NAICS).

Good Faith Efforts

PennDOT monitors good faith efforts as part of its administration of contract specific DBE goals. When a contractor does not meet an established DBE contract goal, PennDOT reviews the contractor's documented efforts to identify, solicit, and engage available DBE Firms. Information from these reviews can provide evidence about whether DBE participation is being affected by factors such as the availability of qualified DBEs, contractor outreach practices, or other market conditions.

PennDOT also considers whether patterns in good faith effort determinations provide information relevant to the overall DBE Goal. During federal fiscal years 2024 through 2026, no hearings concerning good faith efforts were required. PennDOT, therefore, found no evidence from the good faith effort process indicating that the Step-One Baseline Ratio or overall DBE Goal should be adjusted on this basis.

Small Business Enterprise Program

The addition of the Small Business Enterprise (SBE) program to the DBE Program Plan is designed to comply with the regulatory components of 49 CFR § 26.39.

Consistent with the regulatory mandate, the SBE Program is designed to facilitate participation by small business concerns on federally funded projects and to overcome barriers or obstacles to their participation. PennDOT is required to foster small business participation as part of its good faith implementation of its DBE Program.

The SBE Program incorporates a variety of strategies designed to meet the regulatory objective. Each strategy is set forth in this portion of the DBE Program Plan.

Any businesses interested in pursuing SBE certification must meet the U.S. Small Business Administration (SBA) size standards and submit a completed application. Firms certified as a DBE by the PAUCP qualify to opt-in to the SBE program. To become an SBE (not through the DBE opt-in option), the Firm will need to apply and be certified by PennDOT at <https://penndot.dbesystem.com/>.

Appendix C: Consultation, Outreach, and Public Comment

Consultation and Outreach Efforts

PennDOT collaborates with an expert methodology team of research professionals and statistical analysts from Indiana University of Pennsylvania and Pennsylvania State University. The triennial goal setting process relies on a rigorous, localized analysis of the contracting marketplace. The team manages and analyzes the complex datasets used to develop PennDOT's final DBE Goal.

Public Consultation and Outreach

In developing the PennDOT's overall DBE goal, PennDOT exercised its option under 49 C.F.R. § 26.45(g) to obtain public participation through in person consultations with stakeholders, including DBEs, small businesses, contractor and engineering industry groups, community organizations, and other officials and organizations. These stakeholders may have information about the availability of disadvantaged and non-disadvantaged businesses, the effects of social and economic disadvantage on opportunities for DBEs, and PennDOT's efforts to provide a level playing field for DBE participation in federally assisted transportation contracting.

Before submitting its methodology to FHWA, PennDOT held outreach meetings to gather comments from the contracting community. At each meeting, the research team presented the proposed methodology, including the proposed methods and calculations for the Step-One Baseline Ratio,

Step-Two disparity analysis, past participation analysis, and allocation of DBE-Conscious and DBE-Neutral attainment.

The meetings included:

Meeting Description	Date	Time	Location
Virtual meeting	September 3, 2026	11:00 AM – 1:00 PM	Virtual
Virtual meeting	September 8, 2026	10:00 AM – 12:00 PM	Virtual
Virtual meeting	September 9, 2026	1:00 PM – 3:00 PM	Virtual

Public Notice and Public Comment

Following the consultation and outreach activities, PennDOT published notice of the proposed overall goal methodology in the Pennsylvania Bulletin. The notice informed the public that the methodology was available for inspection during normal business hours at PennDOT's principal office for 30 days and that comments would be accepted for 30 days from the date of publication. The Pennsylvania Bulletin is a publication used for official public notices by executive agencies of the Commonwealth. The notice also appeared at equalopportunity.penndot.pa.gov, and the document was available for translation upon request.

Summary of Public Comments Received by PennDOT about Reevaluation, the DBE Program, and on DBE Goal and Methodology and PennDOT Responses

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