

Federal Disadvantaged Business Enterprise (DBE) Program Proposed Overall Goal & Methodology for Federal Fiscal Years 2027 and 2028

The California Department of Transportation (Caltrans) must prepare and submit a Goal and Methodology document to the United States Federal Highway Administration (FHWA) that presents its overall DBE goal for FHWA-funded work. For FFYs 2025 through 2027, Caltrans initially established an overall DBE goal of 21.35 percent, which it submitted to FHWA for approval in November 2024, in accordance with the guidance provided by the United States Department of Transportation (USDOT) in 49 Code of Federal Regulations (CFR) Part 26.45, USDOT's "Tips for Goal-Setting," and other official USDOT guidance.

However, on October 3, 2025, USDOT issued an Interim Final Rule 2025 (IFR 2025) that amends Title 49 CFR Part 26 to redefine the term social disadvantage and to make corresponding changes to the certification criteria, goal setting, and reporting requirements associated with the Federal DBE Program.¹ Most notably, USDOT removed the presumption of disadvantage for businesses owned by people of color (POCs) and women as part of its definition of social disadvantage and has set forth the following requirements as part of doing so:

- Certifying agencies must reevaluate businesses certified as DBEs before the release of IFR 2025 to ensure that they meet the criteria for experiencing social disadvantage with no regard to race or gender;
- Certifying agencies must develop a process to accept and assess personal narratives that certification applicants—regardless of the race or gender of their owners—submit to demonstrate their social disadvantage;
- USDOT fund recipients cannot set or enforce their overall DBE goals while their recertification process is ongoing, and organizations must set new goals when they have completed their processes; and
- USDOT fund recipients must pause their use of DBE contract goals in awarding individual contracts or concession opportunities while their recertification processes are ongoing.

To comply with USDOT's updated regulations for the implementation of the Federal DBE Program, Caltrans is required to develop a new overall DBE goal for its FHWA-funded projects for FFYs 2027 through 2028. Based on the analyses described in this document, Caltrans proposes an overall DBE goal for FFYs 2027 through 2028 of 11.80 percent.

A. Overall DBE Goal

¹IFR 2025 is available online at <https://www.transportation.gov/mission/civil-rights/disadvantaged-business-enterprise/DBE-IFR-10-03-2025>. USDOT released answers to frequently asked questions about IFR 2025 later in October 2025, available online at https://www.transportation.gov/sites/dot.gov/files/DBE_IFR_FAQs.pdf.

Caltrans based its new overall DBE goal on contract analyses from the 2024 Caltrans FHWA Disparity Study (referred to herein as the Disparity Study) conducted by BBC Research & Consulting (BBC); data about the businesses in Caltrans' marketplace that perform work related to the goods and services that the agency procures; and conditions in the local marketplace for socially and economically disadvantaged businesses. The agency followed the required two-step goal-setting methodology to develop its new goal: 1) establish a base figure; and 2) consider whether a step-2 adjustment to the base figure is warranted.

1. Base figure

Caltrans began the goal-setting process by establishing a base figure. To help Caltrans determine the base figure, BBC examined 22,976 FHWA-funded prime contracts and subcontracts (referred to collectively as contract elements), which accounted for approximately \$11.8 billion worth of work Caltrans awarded from January 1, 2021, through December 31, 2023 (i.e., the study period). A key assumption of the availability analysis used to calculate the base figure is that the FHWA-funded work Caltrans awarded during the study period is representative of the FHWA-funded work it will award in the future.² Caltrans reviewed the contract elements included in the availability analysis and verified that the characteristics of projects awarded during the study period are similar to those of the FHWA-funded projects it anticipates awarding in FFYs 2027 through 2028. The agency assigned a North American Industry Classification System (NAICS) code to each contract element that represents work it anticipates awarding in FFYs 2027 and 2028. Figure 1 shows each NAICS code associated with the work Caltrans anticipates awarding in FFYs 2027 and 2028 and the contract dollars Caltrans predicts will be attributed to each corresponding work type.

Figure 1. Projections of dollars associated with FHWA-funded contract elements for relevant NAICS codes, FFYs 2027 and 2028

Table showing projected FHWA-funded contract dollars by NAICS code for FFYs 2027 and 2028. Two columns: NAICS Code, and Total Dollars.

NAICS Code	Total Dollars
237310 - Highway, Street, and Bridge Construction	\$5,976,469,160
541330 - Engineering Services	\$1,365,276,529
238210 - Electrical Contractors and Other Wiring Installation Contractors	\$634,159,044

²Consistent with USDOT guidance, Caltrans considers any contract with at least \$1 of FHWA funding as an "FHWA-funded contract" and includes the total value of the contract in its pool of total FHWA-funded contracting dollars.

NAICS Code	Total Dollars
238910 - Site Preparation Contractors	\$459,172,034
238110 - Poured Concrete Foundation and Structure Contractors	\$398,848,872
238990 - All Other Specialty Trade Contractors	\$336,032,627
236210 - Industrial Building Construction	\$327,090,910
561110 - Office Administrative Services	\$217,267,349
238320 - Painting and Wall Covering Contractors	\$213,779,906
541620 - Environmental Consulting Services	\$197,365,341
561730 - Landscaping Services	\$155,541,621
541614 - Process, Physical Distribution, and Logistics Consulting Services	\$146,959,955
238190 - Other Foundation, Structure, and Building Exterior Contractors	\$136,665,466
332312 - Fabricated Structural Metal Manufacturing	\$104,169,637
237110 - Water and Sewer Line and Related Structures Construction	\$100,945,731
532289 - All Other Consumer Goods Rental	\$95,496,929
541690 - Other Scientific and Technical Consulting Services	\$92,573,401
561990 - All Other Support Services	\$87,808,603
423320 - Brick, Stone, and Related Construction Material Merchant Wholesalers	\$83,310,837
238140 - Masonry Contractors	\$76,691,933
541310 - Architectural Services	\$71,109,668
236115 - New Single-Family Housing Construction (except For-Sale Builders)	\$65,171,016
236220 - Commercial and Institutional Building Construction	\$57,886,573
237990 - Other Heavy and Civil Engineering Construction	\$56,082,189
541370 - Surveying and Mapping (except Geophysical) Services	\$51,071,025
334290 - Other Communications Equipment Manufacturing	\$49,130,250
541990 - All Other Professional, Scientific, and Technical Services	\$39,509,117
327390 - Other Concrete Product Manufacturing	\$28,360,607

NAICS Code	Total Dollars
484110 - General Freight Trucking, Local	\$28,071,501
541320 - Landscape Architectural Services	\$17,547,483
115112 - Soil Preparation, Planting, and Cultivating	\$17,278,963
541380 - Testing Laboratories and Services	\$11,485,357
561720 - Janitorial Services	\$10,767,067
324110 - Petroleum Refineries	\$10,511,465
488999 - All Other Support Activities for Transportation	\$9,806,374
484220 - Specialized Freight (except Used Goods) Trucking, Local	\$9,119,437
423810 - Construction and Mining (except Oil Well) Machinery and Equipment Merchant Wholesalers	\$9,094,373
238120 - Structural Steel and Precast Concrete Contractors	\$8,686,708
236118 - Residential Remodelers	\$8,613,132
335139 - Electric Lamp Bulb and Other Lighting Equipment Manufacturing	\$6,562,736
484121 - General Freight Trucking, Long-Distance, Truckload	\$5,679,674
327320 - Ready-Mix Concrete Manufacturing	\$5,614,285
541720 - Research and Development in the Social Sciences and Humanities	\$4,613,076
423610 - Electrical Apparatus and Equipment, Wiring Supplies, and Related Equipment Merchant Wholesalers	\$4,589,087
327331 - Concrete Block and Brick Manufacturing	\$4,057,784
541715 - Research and Development in the Physical, Engineering, and Life Sciences (except Nanotechnology and Biotechnology)	\$4,021,193
444180 - Other Building Material Dealers	\$4,017,884
488490 - Other Support Activities for Road Transportation	\$3,955,768
423510 - Metal Service Centers and Other Metal Merchant Wholesalers	\$3,394,420
532490 - Other Commercial and Industrial Machinery, and Equipment Rental and Leasing	\$2,685,116
237130 - Power and Communication Line and Related Structures Construction	\$2,423,726

NAICS Code	Total Dollars
331210 - Iron and Steel Pipe and Tube Manufacturing from Purchased Steel	\$1,868,398
238220 - Plumbing, Heating, and Air-Conditioning Contractors	\$1,821,535
561210 - Facilities Support Services	\$1,799,676
237210 - Land Subdivision	\$1,731,979
238160 - Roofing Contractors	\$1,716,414
333120 - Construction Machinery Manufacturing	\$1,149,627
541490 - Other Specialized Design Services	\$1,133,908
811310 - Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance	\$795,133
332999 - All Other Miscellaneous Fabricated Metal Product Manufacturing	\$681,585
541618 - Other Management Consulting Services	\$598,830
532412 - Construction, Mining, and Forestry Machinery, and Equipment Rental and Leasing	\$485,833
238340 - Tile and Terrazzo Contractors	\$458,490
459999 - All Other Miscellaneous Retailers	\$442,975
324121 - Asphalt Paving Mixture and Block Manufacturing	\$441,141
562998 - All Other Miscellaneous Waste Management Services	\$400,979
423820 - Farm and Garden Machinery and Equipment Merchant Wholesalers	\$390,076
541611 - Administrative Management and General Management Consulting Services	\$331,002
444240 - Nursery, Garden Center, and Farm Supply Retailers	\$270,526
327332 - Concrete Pipe Manufacturing	\$254,482
212321 - Construction Sand and Gravel Mining	\$241,298
236117 - New Housing For-Sale Builders	\$184,800
423990 - Other Miscellaneous Durable Goods Merchant Wholesalers	\$182,613
444230 - Outdoor Power Equipment Retailers	\$167,077

NAICS Code	Total Dollars
236116 - New Multifamily Housing Construction (except For-Sale Builders)	\$107,108
339950 - Sign Manufacturing	\$66,397
332323 - Ornamental and Architectural Metal Work Manufacturing	\$40,270
115310 - Support Activities for Forestry	\$25,722
113310 - Logging	\$17,125
334512 - Automatic Environmental Control Manufacturing for Residential, Commercial, and Appliance Use	\$15,681
335932 - Noncurrent-Carrying Wiring Device Manufacturing	\$14,830
333924 - Industrial Truck, Tractor, Trailer, and Stacker Machinery Manufacturing	\$6,165
423310 - Lumber, Plywood, Millwork, and Wood Panel Merchant Wholesalers	\$5,921
423390 - Other Construction Material Merchant Wholesalers	\$5,480
332812 - Metal Coating, Engraving (except Jewelry and Silverware), and Allied Services to Manufacturers	\$1,349
424120 - Stationery and Office Supplies Merchant Wholesalers	\$1,169
Total	\$11,834,398,531

Note: Amounts rounded to the nearest whole number.

Source: BBC and 2024 Caltrans Disparity Study.

Caltrans then identified the number of ready, willing, and able DBEs working in each relevant NAICS code using the California Unified Certification Program (CUCP) Directory of Certified Firms.³⁴ Per 49 CFR § 26.81 (a), Caltrans serves as one of many agencies responsible for DBE certifications in the state of California and maintains the CUCP Directory per 49 CFR § 26.81 (g). In addition, Caltrans used the United States Census Bureau's Statistics of United States Businesses

³Caltrans considered the state of California to be the relevant geographic market area for relevant NAICS codes.

⁴California Unified Certification Program Directory available at <https://dot.ca.gov/programs/civil-rights/dbe-certification-information>. Caltrans used the CUCP Directory as of July 29, 2026, to calculate DBE availability.

database to determine the number of all firms ready, willing, and able to perform work in relevant NAICS codes.⁵

Caltrans then calculated the DBE availability percentage for each relevant NAICS code. To do so, Caltrans divided the number of ready, willing, and able DBEs working in each NAICS code by the total number of all firms ready, willing, and able to perform work in the NAICS code. The DBE availability percentages that Caltrans determined for each relevant NAICS code were then multiplied by the dollar projections presented in Figure 1 to project DBE dollar availability for each relevant NAICS code. Figure 2 presents those results.

Figure 2. DBE dollar availability for each relevant NAICS code

Table showing DBE dollar availability by NAICS code. Six columns: NAICS Code, Projected Dollars, Total Number of Firms, Total Number of DBEs, DBE Availability Percent, and DBE Availability Dollar Amount.

NAICS Code	Projected Dollars	Total Firms	Total DBEs	DBE Availability (%)	DBE Availability (\$)
237310 - Highway, Street, and Bridge Construction	\$5,976,469,160	692	78	11.27%	\$673,648,258
541330 - Engineering Services	\$1,365,276,529	7,552	131	1.73%	\$23,682,630
238210 - Electrical Contractors and Other Wiring Installation Contractors	\$634,159,044	9,708	21	0.22%	\$1,371,790
238910 - Site Preparation Contractors	\$459,172,034	2,582	60	2.32%	\$10,670,148
238110 - Poured Concrete Foundation and Structure Contractors	\$398,848,872	2,020	44	2.18%	\$8,687,797
238990 - All Other Specialty Trade Contractors	\$336,032,627	3,361	55	1.64%	\$5,498,897

⁵United States Census Statistics of United States Businesses available at <https://www.census.gov/programs-surveys/susb.html>. Caltrans used 2022 Statistics of U.S. Businesses data.

NAICS Code	Projected Dollars	Total Firms	Total DBEs	DBE Availability (%)	DBE Availability (\$)
236210 - Industrial Building Construction	\$327,090,910	297	24	8.08%	\$26,431,589
561110 - Office Administrative Services	\$217,267,349	4,623	35	0.76%	\$1,644,897
238320 - Painting and Wall Covering Contractors	\$213,779,906	4,844	6	0.12%	\$264,798
541620 - Environmental Consulting Services	\$197,365,341	1,392	81	5.82%	\$11,484,621
561730 - Landscaping Services	\$155,541,621	9,078	17	0.19%	\$291,276
541614 - Process, Physical Distribution, and Logistics Consulting Services	\$146,959,955	1,131	36	3.18%	\$4,677,770
238190 - Other Foundation, Structure, and Building Exterior Contractors	\$136,665,466	720	5	0.69%	\$949,066
332312 - Fabricated Structural Metal Manufacturing	\$104,169,637	264	6	2.27%	\$2,367,492
237110 - Water and Sewer Line and Related Structures Construction	\$100,945,731	855	45	5.26%	\$5,312,933
532289 - All Other Consumer Goods Rental	\$95,496,929	570	0	0.00%	\$0
541690 - Other Scientific and Technical Consulting Services	\$92,573,401	4,444	78	1.76%	\$1,624,826

NAICS Code	Projected Dollars	Total Firms	Total DBEs	DBE Availability (%)	DBE Availability (\$)
561990 - All Other Support Services	\$87,808,603	1,177	27	2.29%	\$2,014,301
423320 - Brick, Stone, and Related Construction Material Merchant Wholesalers	\$83,310,837	261	15	5.75%	\$4,787,979
238140 - Masonry Contractors	\$76,691,933	1,313	6	0.46%	\$350,458
541310 - Architectural Services	\$71,109,668	3,552	16	0.45%	\$320,314
236115 - New Single-Family Housing Construction (except For-Sale Builders)	\$65,171,016	7,122	9	0.13%	\$82,356
236220 - Commercial and Institutional Building Construction	\$57,886,573	4,198	41	0.98%	\$565,352
237990 - Other Heavy and Civil Engineering Construction	\$56,082,189	319	47	14.73%	\$8,262,893
541370 - Surveying and Mapping (except Geophysical) Services	\$51,071,025	469	14	2.99%	\$1,524,508
334290 - Other Communications Equipment Manufacturing	\$49,130,250	66	0	0.00%	\$0
541990 - All Other Professional, Scientific, and Technical Services	\$39,509,117	2,501	36	1.44%	\$568,704
327390 - Other Concrete Product Manufacturing	\$28,360,607	107	1	0.93%	\$265,052

NAICS Code	Projected Dollars	Total Firms	Total DBEs	DBE Availability (%)	DBE Availability (\$)
484110 - General Freight Trucking, Local	\$28,071,501	9,282	42	0.45%	\$127,020
541320 - Landscape Architectural Services	\$17,547,483	919	18	1.96%	\$343,694
115112 - Soil Preparation, Planting, and Cultivating	\$17,278,963	322	2	0.62%	\$107,323
541380 - Testing Laboratories and Services	\$11,485,357	756	16	2.12%	\$243,076
561720 - Janitorial Services	\$10,767,067	6,483	18	0.28%	\$29,895
324110 - Petroleum Refineries	\$10,511,465	10	0	0.00%	\$0
488999 - All Other Support Activities for Transportation	\$9,806,374	85	4	4.71%	\$461,476
484220 - Specialized Freight (except Used Goods) Trucking, Local	\$9,119,437	3,241	62	1.91%	\$174,454
423810 - Construction and Mining (except Oil Well) Machinery and Equipment Merchant Wholesalers	\$9,094,373	233	1	0.43%	\$39,032
238120 - Structural Steel and Precast Concrete Contractors	\$8,686,708	504	26	5.16%	\$448,124
236118 - Residential Remodelers	\$8,613,132	16,451	13	0.08%	\$6,806

NAICS Code	Projected Dollars	Total Firms	Total DBEs	DBE Availability (%)	DBE Availability (\$)
335139 - Electric Lamp Bulb and Other Lighting Equipment Manufacturing	\$6,562,736	63	0	0.00%	\$0
484121 - General Freight Trucking, Long-Distance, Truckload	\$5,679,674	6,454	11	0.17%	\$9,680
327320 - Ready-Mix Concrete Manufacturing	\$5,614,285	106	1	0.94%	\$52,965
541720 - Research and Development in the Social Sciences and Humanities	\$4,613,076	269	13	4.83%	\$222,937
423610 - Electrical Apparatus and Equipment, Wiring Supplies, and Related Equipment Merchant Wholesalers	\$4,589,087	1,304	14	1.07%	\$49,269
327331 - Concrete Block and Brick Manufacturing	\$4,057,784	30	1	3.33%	\$135,259
541715 - Research and Development in the Physical, Engineering, and Life Sciences (except Nanotechnology and Biotechnology)	\$4,021,193	2,304	3	0.13%	\$5,236
444180 - Other Building Material Dealers	\$4,017,884	2,182	6	0.27%	\$11,048
488490 - Other Support Activities for Road Transportation	\$3,955,768	804	16	1.99%	\$78,722

NAICS Code	Projected Dollars	Total Firms	Total DBEs	DBE Availability (%)	DBE Availability (\$)
423510 - Metal Service Centers and Other Metal Merchant Wholesalers	\$3,394,420	852	11	1.29%	\$43,825
532490 - Other Commercial and Industrial Machinery and Equipment Rental and Leasing	\$2,685,116	1,014	7	0.69%	\$18,536
237130 - Power and Communication Line and Related Structures Construction	\$2,423,726	397	19	4.79%	\$115,997
331210 - Iron and Steel Pipe and Tube Manufacturing from Purchased Steel	\$1,868,398	13	1	7.69%	\$143,723
238220 - Plumbing, Heating, and Air-Conditioning Contractors	\$1,821,535	11,135	9	0.08%	\$1,472
561210 - Facilities Support Services	\$1,799,676	248	7	2.82%	\$50,797
237210 - Land Subdivision	\$1,731,979	550	2	0.36%	\$6,298
238160 - Roofing Contractors	\$1,716,414	2,775	3	0.11%	\$1,856
333120 - Construction Machinery Manufacturing	\$1,149,627	36	0	0.00%	\$0
541490 - Other Specialized Design Services	\$1,133,908	864	14	1.62%	\$18,374

NAICS Code	Projected Dollars	Total Firms	Total DBEs	DBE Availability (%)	DBE Availability (\$)
811310 - Commercial and Industrial Machinery and Equipment (except Automotive and Electronic) Repair and Maintenance	\$795,133	1,797	0	0.00%	\$0
332999 - All Other Miscellaneous Fabricated Metal Product Manufacturing	\$681,585	331	2	0.60%	\$4,118
541618 - Other Management Consulting Services	\$598,830	1,168	98	8.39%	\$50,244
532412 - Construction, Mining, and Forestry Machinery and Equipment Rental and Leasing	\$485,833	298	11	3.69%	\$17,933
238340 - Tile and Terrazzo Contractors	\$458,490	1,748	1	0.06%	\$262
459999 - All Other Miscellaneous Retailers	\$442,975	1,548	0	0.00%	\$0
324121 - Asphalt Paving Mixture and Block Manufacturing	\$441,141	42	0	0.00%	\$0
562998 - All Other Miscellaneous Waste Management Services	\$400,979	85	1	1.18%	\$4,717

NAICS Code	Projected Dollars	Total Firms	Total DBEs	DBE Availability (%)	DBE Availability (\$)
423820 - Farm and Garden Machinery and Equipment Merchant Wholesalers	\$390,076	338	1	0.30%	\$1,154
541611 - Administrative Management and General Management Consulting Services	\$331,002	16,329	219	1.34%	\$4,439
444240 - Nursery, Garden Center, and Farm Supply Retailers	\$270,526	869	0	0.00%	\$0
327332 - Concrete Pipe Manufacturing	\$254,482	7	1	14.29%	\$36,355
212321 - Construction Sand and Gravel Mining	\$241,298	65	2	3.08%	\$7,425
236117 - New Housing For-Sale Builders	\$184,800	687	1	0.15%	\$269
423990 - Other Miscellaneous Durable Goods Merchant Wholesalers	\$182,613	1,589	13	0.82%	\$1,494
444230 - Outdoor Power Equipment Retailers	\$167,077	248	0	0.00%	\$0
236116 - New Multifamily Housing Construction (except For-Sale Builders)	\$107,108	406	11	2.71%	\$2,902
339950 - Sign Manufacturing	\$66,397	598	6	1.00%	\$666

NAICS Code	Projected Dollars	Total Firms	Total DBEs	DBE Availability (%)	DBE Availability (\$)
332323 - Ornamental and Architectural Metal Work Manufacturing	\$40,270	331	4	1.21%	\$487
115310 - Support Activities for Forestry	\$25,722	117	2	1.71%	\$440
113310 - Logging	\$17,125	231	2	0.87%	\$148
334512 - Automatic Environmental Control Manufacturing for Residential, Commercial, and Appliance Use	\$15,681	28	0	0.00%	\$0
335932 - Noncurrent-Carrying Wiring Device Manufacturing	\$14,830	16	0	0.00%	\$0
333924 - Industrial Truck, Tractor, Trailer, and Stacker Machinery Manufacturing	\$6,165	36	0	0.00%	\$0
423310 - Lumber, Plywood, Millwork, and Wood Panel Merchant Wholesalers	\$5,921	602	2	0.33%	\$20
423390 - Other Construction Material Merchant Wholesalers	\$5,480	338	9	2.66%	\$146

NAICS Code	Projected Dollars	Total Firms	Total DBEs	DBE Availability (%)	DBE Availability (\$)
332812 - Metal Coating, Engraving (except Jewelry and Silverware), and Allied Services to Manufacturers	\$1,349	353	0	0.00%	\$0
424120 - Stationery and Office Supplies Merchant Wholesalers	\$1,169	758	1	0.13%	\$2
Total	\$11,834,398,531			6.76%	\$800,430,822

Notes: Dollars rounded to the nearest whole number and percentages rounded to the nearest hundredth of one percent, and thus may not sum exactly to totals. Caltrans used the CUCP Directory as of July 29, 2026, to calculate DBE availability.

Source: Caltrans and BBC.

As shown in Figure 2, the total projected DBE availability for FHWA-funded contracts Caltrans anticipates awarding in FFYs 2027 through 2028 is 6.76 percent (\$800.4 million / \$11.8 billion = 6.76%). Thus, Caltrans considers 6.76 percent as its base figure for its overall DBE goal for FFYs 2027 through 2028.

2. Step-2 adjustment

After establishing the base figure, Caltrans considered additional information to determine whether any adjustment was needed to the base figure to ensure the agency's new overall DBE goal is precise and reflects current conditions in the local marketplace for socially and economically disadvantaged businesses.

a. Adjustment considerations

In considering an adjustment to the base figure, the agency evaluated information about:

- The current capacity of DBEs to perform agency work;
- Marketplace conditions related to business success (e.g., employment, self-employment, education, training, and unions) for socially and economically disadvantaged businesses;
- Marketplace conditions related to access to financing, bonding, and insurance for socially and economically disadvantaged businesses;
- Factors related to DBE certification currently and over FFYs 2027 and 2028;
- The establishment of a Federal SBE Program; and

- Evidence of disparities from studies conducted by other organizations in the region.⁶

i. Current capacity of DBEs to perform agency work

USDOT's "Tips for Goal-Setting" suggests that agencies should examine data on past DBE participation in their USDOT-funded projects in recent years as a proxy for the current capacity of DBEs to perform such work. With the issuance of IFR 2025, USDOT requires agencies to re-evaluate businesses currently certified as DBEs to ensure that their owners meet the criteria for experiencing social disadvantage with no regard to their owners' races or genders. Caltrans began the re-certification process following the issuance of IFR 2025 and completed the process in July 2026. As the agency has not yet restarted its DBE Program, it does not have any data on the past participation of DBEs following the updated certification criteria in its contracts and procurements. Information on past participation before the release of IFR 2025 would not represent a true comparison with which to adjust the base figure due to differences in certification eligibility.

ii. Information related to employment, self-employment, education, training, and unions

Information from the Disparity Study indicated that business owners may face barriers related to human capital, financial capital, and business ownership in the California contracting industry. For example,

The owner of a goods and services company stated, "Financial education would've been amazing Having to figure it out as you go along is a struggle. ... We just don't have the education financially available to us You have to really go look for it."

The owner of a construction company stated, "It would have been helpful to have more of a business education. How to keep your paperwork going and payroll and a lot of that stuff. I was just a worker [before starting my business]."

iii. Information related to access to financing, bonding, and insurance

Quantitative and qualitative evidence collected as part of the Disparity Study indicated that socially and economically disadvantaged businesses may experience barriers to obtaining financing, bonding, and insurance in the relevant geographic market area. For example,

The owner of a Small Business (SB)- and Disabled-Veteran Business Enterprise (DVBE)-certified goods and services company stated, "It was

⁶49 CFR Section 26.45.

hard for me to get lines of credit, or any type of loan. I applied for different areas and I just couldn't get anything."

The owner of an SB- and DVBE-certified goods and services company stated, "If you're just starting out and you want to work with the state, it is going to require an uphill [battle] because for one, you do have to buy insurance. So you have to have money to cover the premiums for the workers' comp[ensation], for the general liability. The state requires at least [a] minimum [of] \$1 million to \$2 million aggregate. You're going to need [an] auto policy for your vehicle. And then depending on the contract, you might need additional insurance. So that's all out-of-pocket costs."

iv. DBE certification

USDOT restructured DBE certification requirements considerably with the issuance of IFR 2025, removing the presumption of disadvantage for businesses owned by POCs and women and requiring certifying agencies to assess personal narratives that certification applicants submit to demonstrate their social disadvantage without regard to the business owners' race or gender. Caltrans and the other agencies that belong to the CUCP began re-certifying DBEs following this guidance. Caltrans has completed its re-evaluation, but other organizations in the CUCP continue to recertify DBEs, and not all members of the CUCP are accepting personal narratives from the broader population of California business owners yet. By the end of FFY 2027, Caltrans intends to grow its DBE certification directory through direct outreach to eligible businesses across the state and in collaboration with CUCP members. The agency projects that over FFYs 2027 and 2028, its DBE directory will increase almost threefold (approximately 286%), and it estimates that the characteristics (e.g., lines of work, location, capacity) of newly certified DBEs will be similar to the characteristics of the DBEs that are currently certified. Caltrans may consider certification information to support an upward adjustment to the base figure based on the proportion of DBEs that re-certify and the volume of uncertified businesses that Caltrans anticipates will pursue certification once it begins accepting new certification applications.

v. Establishment of Caltrans' Federal Small Business Enterprise (SBE) program

As an element of the Federal DBE Program, USDOT requires federal fund recipients to implement measures specifically designed to increase small business participation in their contracts and procurements. Caltrans is currently developing a Federal SBE Program, which it intends to launch in 2027, to enhance its commitment to supporting small businesses that perform transportation-related work in the state. The Federal SBE Program will include additional program measures tailored to SBEs and designed to cultivate business growth and provide support for businesses at all stages of development, which can help businesses more successfully compete for and perform work on

Caltrans projects. Thus, these measures can increase the availability of small businesses for agency work, many of which would also be eligible for DBE certification and could, in turn, potentially increase the availability of disadvantaged businesses for agency work.

vi. Evidence from disparity studies conducted within the jurisdiction

USDOT suggests that federal fund recipients also examine evidence from disparity studies conducted within their jurisdictions when determining whether to adjust their base figures. However, Caltrans has not identified any published disparity studies conducted by other organizations in the region that assess the availability of socially and economically disadvantaged businesses as defined after IFR 2025. In addition, the Disparity Study was closely tailored to the types of FHWA-funded work that Caltrans awards and provides the best results related to the availability of DBEs for the agency's FHWA-funded projects and the barriers they face. For that reason, any information gleaned from other disparity studies conducted in the region should be used with caution.

b. Adjustment

Caltrans considered information relevant to a potential step-2 adjustment and decided to make an upward adjustment to its base figure based on:

- Information about marketplace conditions that may disproportionately impact socially and economically disadvantaged businesses;
- Information about the Federal SBE Program it plans to implement; and
- Information about the number of new DBE certifications the agency and other members of the CUCP intend to process in FFY 2027.

Because information relevant to a potential step-2 adjustment supports an upward adjustment, and because the agency and other members of the CUCP intend to process hundreds of additional DBE certification applications over FFYs 2027 and 2028, a realistic overall DBE goal is likely higher than the agency's base figure. To quantify the impacts of these factors, the agency calculated the availability of DBEs it would expect if the DBE certification directory increased by 286 percent over FFYs 2027 and 2028, in alignment with the agency's reasonable projections of its and its CUCP partners' intentions to increase the certification directory. Because the agency projects that the characteristics of newly certified DBEs will align with the characteristics of currently certified DBEs, it projects that it will see a proportional 286 percent increase in the availability of DBEs, resulting in an availability estimate for the participation of DBEs of 19.37 percent.

Caltrans believes it is important to set a realistic goal that accounts for information relevant to making an adjustment. Thus, as shown in Figure 3, the organization chose to take a weighted average between the base figure (6.76 percent weighted 60.0 percent = 4.06 percent), which represents the current availability of DBEs for agency work, and the projected availability of DBEs after

the step-2 adjustment (19.37 percent weighted 40.0 percent = 7.74 percent), which represents a reasonable estimate of the availability of DBEs in the future, to create its new overall goal of 11.80 percent (4.06 percent + 7.74 percent = 11.80 percent).

The weighting Caltrans chose reflects the agency's consideration of the current state of DBE availability while also accounting to a lesser degree for the capacity of the CUCP to process new DBE applications and re-certify DBEs during the goal period in a risk-informed way. As opposed to a standard average, where the base figure and step-2 adjustment would each be weighted 50.0 percent, Caltrans weighs the current state of DBE availability more strongly than the step-2 adjustment to mathematically account for future or projected availability and its inherent uncertainty.

Figure 3. Weighting of base figure and step-2 adjustment

Table showing the weighted calculation of the overall DBE goal from the base figure and step-2 adjustment.

Calculations	Base figure	Step-2 Adjustment	Overall
DBE Availability	6.76%	19.37%	11.80%
Weight	60.00%	40.00%	

Note: Numbers rounded to the nearest one hundredth of a percent.

3. New goal

Caltrans proposes a new overall DBE goal of 11.80 percent for FFYs 2027 and 2028.

B. DBE-Neutral and DBE-Conscious Split

DBE-neutral program measures are designed to encourage the participation of all businesses—or all small businesses—in an agency's work. In contrast, DBE-conscious measures are designed to encourage the participation of DBEs specifically in an agency's work (e.g., using DBE participation goals to award individual contracts). If an agency cannot meet its goal solely through using DBE-neutral measures, then it must consider also using DBE-conscious measures. In accordance with federal regulations and USDOT guidance, Caltrans will attempt to meet the maximum feasible portion of its proposed 11.80 percent overall DBE goal using DBE-neutral measures.

Caltrans uses myriad DBE-neutral measures to encourage DBE participation in its FHWA-funded contracts in FFYs 2025 and 2026 and will continue to use those measures in FFYs 2027 and 2028. Additionally, the agency will expand its DBE-neutral measures through the launch of its Federal SBE Program in 2027. Figure 4 presents those measures.

Figure 4. Caltrans DBE-neutral measures

- Plans to pilot a DBE-neutral Federal SBE Program to encourage the participation of economically disadvantaged businesses in its FHWA-funded contracts and procurements.
- Publicizes information regarding Caltrans' contracting opportunities online and in print newspapers, trade journals, and other publications to increase awareness of opportunities for small businesses to participate on Caltrans' contracts.
- Facilitates Statewide Small Business Council meetings—and regional council meetings, where applicable—to enlist the participation of small businesses and business assistance organizations to identify and remove systemic barriers to small business participation.
- Makes at least one District Small Business Liaison available in each Caltrans district office to serve as a point of contact for small business-related concerns, including how to do business with Caltrans.
- Publishes “look ahead” reports online for upcoming construction and architecture and engineering contracts to assist small businesses in planning for potential opportunities.
- Makes a series of informational handouts and brochures available to assist small businesses in navigating Caltrans' contracting and procurement opportunities.
- Enforces prompt payment laws and requirements applicable to prime contractors and subcontractors, including small businesses.
- Provides easily accessible contracting information on Caltrans' public website.
- Maintains online business resource centers—such as Caltrans' “Contractor's Corner”—that consolidate contracting information and resources for the benefit of prospective bidders and proposers, including small businesses.
- Maintains flowcharts of Caltrans' advertising, bid opening, award, and approval processes on Caltrans' website to help small businesses navigate potential contracting opportunities.
- Provides training to Caltrans' contract managers and buyers regarding opportunities for maximizing the participation of small businesses in agency contracts and procurements.
- Develops and delivers training for small businesses regarding how to do business with Caltrans.
- Spreads project advertising and bid openings throughout the year to prevent overloading prime contractors and subcontractors, including small businesses.
- Maintains a general resource mailbox for small business-related concerns—smallbusinessadvocate@dot.ca.gov—that small businesses can use to ask questions, seek assistance, or request training.

- Establishes relationships with financial institutions, surety companies, and insurance companies to provide information and resources for small businesses interested in working on Caltrans' contracts.
- Continues to maintain Caltrans' Bidder's List.

In addition to these efforts, Caltrans considered the degree to which it has historically met its DBE goal through a combination of race- and gender-conscious and race- and gender-neutral measures, which it considers to be a suitable proxy for the degree to which it can expect to attain its new DBE goal using a combination of DBE-conscious and DBE-neutral measures. In the previous triennial DBE goal the agency established, Caltrans projected that it would meet 19 percent of its DBE goal using race- and gender-neutral measures and 81 percent of its goal using race- and gender-conscious measures based on an assessment of the past participation of DBEs in the agency's awards with and without the use of DBE participation goals.

Based on that information, Caltrans projects that it will meet 19 percent of its proposed DBE goal—approximately 2.24 percent—for FFYs 2027 and 2028 through the use of DBE-neutral measures. The agency will meet the remaining 81 percent of its overall DBE goal—approximately 9.56 percent—using DBE-conscious measures, specifically using DBE contract goals to award various FHWA-funded contracts and procurements, as appropriate.

C. Public Participation

Public participation is a key component of Caltrans' process for setting its overall DBE goal. The agency will make information about the proposed goal available to the general public on its official internet website and host a series of public participation meetings via video conference. In addition, Caltrans will consult with general contractor groups, community organizations, business associations and public stakeholders that could be expected to have information concerning the availability of DBEs and non-DBEs regarding the proposed goal. During the public comment period, Caltrans will solicit and receive comments via email, US postal mail, and fax.

D. Summary

Caltrans proposes a new overall DBE goal for FFYs 2027 and 2028 of 11.80 percent. Based on information about FHWA-funded work the agency anticipates awarding and results from its analyses of the Statistics of United States Businesses database, the agency determined that the base figure for its new overall DBE goal is 6.76 percent. Caltrans decided to adjust the base figure to 11.80 percent to account for its plans to expand its certification directory in the coming years, its efforts to establish a Federal SBE Program, and marketplace conditions that may disproportionately impact socially and economically disadvantaged businesses. Caltrans will attempt to meet its

overall DBE goal through a combination of DBE-neutral and DBE-conscious program measures. The agency projects it will be able to meet 19 percent of its overall DBE goal using DBE-neutral measures and the remaining 81 percent using DBE-conscious measures.