

Committee Report

Management Committee



Committee meeting date: May 13, 2026

For the Metropolitan Council: May 27, 2026

Business Item: 2026-92

Disadvantaged Business Enterprise Program Small Business Element

Proposed action

That the Metropolitan Council:

1. Adopt the proposed size standard thresholds for a DBE-Neutral, two-tier small business program element outlined in the attached program document, currently \$5,000,000 for Emerging Small Business Enterprises (ESBEs) and \$16,000,000 for Small Business Enterprises (SBEs).
2. Direct the Regional Administrator and Council staff to implement the attached Small Business program for appropriate federally funded projects.

Summary of Management Committee discussion/questions

Director Ashanti Payne presented the item and explained that it is an expansion of the small business element which is a requirement of the DBE regulations. The Council and MnDOT have worked to align a two-tier small business program that would allow for ESBE and/or SBE goals to be established on projects with federal funds when no DBE goal has been set. Questions asked related to the following items:

- Diversity and inclusion programs and program language.
- Meaning of DBE Neutral-This is a new regulatory term that stems from USDOT's Interim Final Rule. DBE Neutral is a measure or program that can be used to assist all small businesses. It replaced the previous regulatory term Race and Gender Neutral.
- Reevaluation process and timeline

Motion by Pacheco, seconded by Morales. Motion carried.

Business Item

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District(s), member(s):	All
Policy/legal reference:	OEE0 5-1 Promoting Small Business Programs and Addressing Discrimination; Code of Federal Regulations 49 C.F.R. § 26.39
Staff prepared/presented:	Ashanti Payne, Director, Civil Rights and Small Business Programs, 612-349-7660; Megan Solberg, Sr. Manager, Civil Rights and Small Business Programs, 651-602-1406
Division/department:	Regional Administration/Office of Civil Rights and Small Business Programs

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2. Direct the Regional Administrator and Council staff to implement the attached Small Business program for appropriate federally funded projects.

Background

Under 49 C.F.R. § 26.39, the Metropolitan Council must have a DBE program that includes an element to structure contracting requirements to facilitate competition by small businesses. Due to the Interim Final Rule that went into effect in October of 2025, Council Staff have collaborated with MnDOT staff to align a two-tiered DBE-Neutral small business program element that may be utilized when DBE goals are not assigned to a contract.

To qualify as a small business under the Small Business Administration (SBA), a firm must have gross receipts that when averaged over a three-year period do not exceed \$31.84 million. The proposed thresholds were determined using data from the disparity study to best assist firms with the greatest disparities. The ESBE threshold is 15% of the SBA size standard rounded to the nearest million and the SBE threshold is 50% of the SBA size standard rounded to the nearest million. Percentages were used to allow for automatic adjustments to the threshold when the SBA adjusts their size standard for inflation.

Rationale

The Interim Final Rule issued by USDOT halted the Metropolitan Council's ability to establish DBE goals until the reevaluation of DBE firms certified as of October 2025 is complete. The DBE-Neutral, two-tier small business program would allow for small business goals to be established on projects with federal funding without regard to race, gender, or DBE status.

In addition, the 2025 Minnesota Joint Disparity Study recommended that the Council create a small business program element. The proposed thresholds were derived using findings from that disparity study so that small businesses most impacted by the disparities found can benefit from the program.

The proposed thresholds are also aligned with MnDOT's proposed Small Business Enterprise Program Plan. Aligning these thresholds provides consistency and clarity to the contracting and procurement communities. In addition, this alignment allows the Council to recognize SBEs and ESBEs certified through MnDOT's program, providing intergovernmental efficiencies and savings, and minimizing impacts to internal staff workload and capacity.

Thrive lens analysis

On Feb. 12, 2025, the Council adopted Imagine 2050, which builds on policy direction in Thrive MSP 2040. Under the Thrive lens, this action advances the Thrive outcomes of Equity and Prosperity by allowing the Council to utilize small business certifications, approved by MnDOT, to implement the Council's small business element and provide contracting opportunities for residents in our region that own and operate small businesses.

Funding

The proposed action requires no funding.

Small business inclusion

The proposed action would increase contracting opportunities for small businesses in alignment with recent changes in the federal regulations aimed at fostering small business participation, including via DBE-Neutral program components.