



Graduating from the DBE Program: Personal Wealth & Business Size

Missouri Department
of Transportation
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Overview

- Small Business Size Requirements
- NAICS Code Graduations
- Personal Net Worth Requirements
- DBE Obligations: Notice of Change
- DBE Voluntary Withdrawal
- DBE Credit Counting After Removal
- Regaining DBE Certification



Small Business Size Requirements

- Statutory Small Business Size Cap - \$30.72M
 - Based on 3-year average gross receipts
 - Cap increases every 3 years based on inflation
- SBA Small Business Size Standards
 - Based on 5-year average gross receipts
 - Each NAICS Code has its own cap
 - Some codes (primarily suppliers) have employee caps
- Good Practice: Monitor your business' gross receipts to ensure firm continues to meet small business size standards
 - DBE's must meet both.



NAICS Code Graduations

- DBE firms may graduate out of certain NAICS codes based on SBA Size Caps.
- Still maintain overall DBE certification.
- Can still conduct work in codes but does not count for DBE credit.



Personal Net Worth Requirements

- PNW Cap: \$2.047M
- Applies to majority (51%) owner(s)
- Cap adjusts every 3 years based on total household net worth.
- Calculation: $\text{Assets} - \text{Liabilities} = \text{PNW}$

Personal Net Worth (PNW) - Assets



Assets	What is it?	Exclusions
Cash & Cash Eq.	Checking/Savings accounts, CDs, etc.	None
Investment Accts & Ind. Securities	Brokerage & Custodial Accts, stocks, bonds	Retirement; stocks/bonds of applicant business
Real Estate	Primary Residence, Vacation Home, Rental, Land, etc.	Primary Residence
Personal Property & Other Assets	Vehicles, Household Property, artwork, jewelry, collectibles	None
Ownership in Other Businesses	Ownership in Other Businesses	Applicant Firm
Life Insurance	Life Insurance – Cash Value	Term Life Insurance
Amounts Owed to You	Loans to others	None
Assets Held in Trust	Assets Held in Trust	None
Assets Transferred	\$20K+ in assets transferred in previous 2 years to relations	None



DBE Certification Requirements: Personal Net Worth (PNW) - Liabilities

Assets	What is it?	Exclusions
Mortgages on Real Estate	Real Estate Mortgage Balance	Primary Residence Mortgage
Loans on Life Insurance	Life Insurance Loans	None
Other Liabilities	Loans, unpaid taxes, anything else owed	None

PNW Calculation:

Assets – Liabilities = Personal Net Worth

PNW Cap: \$2.047M

Good Practice: Monitor your PNW to ensure it is within the limits

DBE Obligations – Notice of Change



- 49 CFR 26.83(i)(3): “The DBE must notify the certifier of a material change in its circumstances that affects its continued eligibility within 30 days of its occurrence, explain the change fully, and include a duly executed DOE with the notice.”

- Changes affecting:
 - Ownership interest

 - Small Business Size

 - Personal Net Worth



DBE Voluntary Withdrawal

- If firms find that they no longer meet the qualifications due to size standards, they may voluntarily withdraw from the program.
- Contact your certifying agency on the process/forms for withdrawing from the program.
- Benefit of withdrawing: can reapply for certification with no waiting period.

DBE Credit Counting: After Removal



- Contracts let prior to October 2024:
 - DBE participation counted on any contracts/subcontracts executed prior to removal date.

- Contract let in October 2024 and later: same as above with **EXCEPTIONS:**
 - Extensions/additions of work for DBE goal credit after removal date only allowed with MoDOT's prior written consent.
 - Removal due to DBE firm being acquired or merged with a non-DBE: work remaining after removal date is not eligible for DBE credit. Contractor must seek additional DBE participation needed to meet DBE goal or demonstrate good faith efforts to do so.



Regaining DBE Certification

- If removal is initiated by the certifying agency: 12 month waiting period before firm can reapply for certification.
- If firm voluntarily withdraws, no waiting period and can immediately reapply.
- Recommendation: reapply only if the firm/majority owner(s) meet certification requirements.
 - Examples: DOT statutory cap increased, making firm eligible as a small business, gross receipts of firm decrease year over year to fall within small business standards, etc.