GLOSSARY OF TERMS

(Rev 1/14)

The following is a listing of definitions commonly used in the contracting process:

Advance payment	Any payment made to a contractor before work has been performed or goods have been delivered. Advance payments are permitted only if authorized by statute. (For example, interagency agreements may provide for advance payments under (GC § 11257.)
Agreement	A contract.
Amendment	A formal modification or change of a material term, such as the term, cost, or scope of work, in one or more provisions of an existing contract.
Assignment	Transfer of contractual rights from one person to another.
Authorized service representative	A term used in relation to those persons who may perform repair and maintenance of equipment and are so designated by the equipment manufacturer.
Awarding agency	The contracting State agency, the agency soliciting the contract and making the contract award.
Bid	A potential contractor's reply to a solicitation for purchase of goods or services, which represents what the contractor would charge to provide those goods or services.
Bidder	An individual, sole proprietorship, firm, partnership, corporation, or any other business venture that responds to an Invitation for Bids or Request for Proposals by submitting a bid to the contracting agency. A potential contractor.
Bidder's conference	A meeting with potential bidders before the bid submission date.
Bidder's security	A bond or undertaking required for public works projects (SCM 1, chapter 10).
Board resolution	A formal decision by the governing body of a public agency often required to authorize the purchase of goods or services.
Breach of contract	Failure, without legal reason, to comply with the terms of the contract.
California State Contracts Register	The State publication (now electronic) containing advertisements for contract solicitations and a list of contracts for which exemptions from bidding have been approved.
Certified small or microbusiness	A business that has been certified by the Office of Small Business and DVBE Certification, Department of General Services, as a small or microbusiness as defined in GC § 14837 and 2 CCR § 1896. DGS/OSDS issues the business a letter of certification that allows the business to claim the small business preference when submitting bids and to obtain statutory penalties for late payments on contracts (SCM 1, chapter 8).
Circumvention	The act of avoiding the effect or intent, going around, defeating by ingenuity or strategy, or nullifying the purpose.
Commercially useful function	Person or entity doing all of the following: the execution of a distinct element of the work of the contract; carrying out obligation by actually performing, managing or supervising work involved; perform work normal for business services and functions; and not further subcontracting a portion of work greater than expected to be subcontracted by normal industry standards.

Commodities	Goods, including such tangible items as movable or personal property, as opposed to services.
Competitive bidding	An acquisition process in which the opportunity to make offers to supply goods or services is not limited to any one bidder. All bidders are evaluated on the same fixed criteria.
Consideration	Something of value that induces a person to enter into a contract. The consideration may include some right, interest, profit, or benefit obtained by one party, or some forbearance, detriment, loss, or responsibility assumed by the other party.
Consulting services contract	A contract for services of an advisory nature, which provides a recommended course of action or personal expertise. The definition does not include A&E contracts (PCC § 10335.5).
Contract	A contract is an agreement to do or not to do a certain thing. (CCP § 1549)
Contract manager	A person designated by the responsible State agency or department to manage performance under a contract.
Contractor	A party contracting with the awarding agency. ***Vendor*** is often used synonymously, with ***contractor.***
Contractor identification number	The number assigned to the contractor for tax purposes. This may be the social security number or the Federal identification number.
Cooperative agreements	A special agreement with the Federal government in which there is a general public benefit, as opposed to a specific benefit accruing only to the contracting Federal agency.
Corporation	A fictional entity, created by or under the authority of the laws of a State, which has the legal authority to engage in certain activities.
Debarment	Under Federal contracting law, a process in which a contractor is precluded from bidding on or entering into contracts with the Federal government. Federal rules also prohibit Federal contractors from contracting with debarred businesses.
Default	Failure to perform an obligation in a contract.
Disabled Veteran Business Enterprise (DVBE)	A business that meets all of the following criteria: (1) at least 51% of the business is owned by one or more disabled veterans or, in a business whose stock is publicly held, at least 51% or more of the stockholders are disabled veterans; (2) the management and control of the business are exercised by one or more disabled veterans; (3) the business is domestically owned and its home office is in the United States; and (4) the business has been certified as a DVBE by DGS/OSDS (Military and Veterans Code § 999[g]).
Encumbrance	A commitment of funds guaranteeing a source of payment for a specific transaction.
Evaluation committee	A committee or panel that convenes to evaluate the qualifications of bidders who respond to a Request for Proposals.
Execution of a contract	The act of signing a contract, which provides a legal basis for required performance by parties to the contract.
Executive order	A directive issued by the Governor that establishes binding policy for government agencies covered therein.

Exemption	A formal waiver by DGS, of DGS responsibilities required by statute, regulation, or policy, or a delegation of such responsibilities by DGS to a State agency. Some common exemptions awarded by DGS involve contract approval, advertising, and competitive bidding requirements.
Exemption letter	The letter of authorization establishing an exemption issued by DGS.
General provisions	Terms and conditions that apply to all contracts for services and are included in any final document.
Goods	Commodities (tangible items, such as movable or personal property), as opposed to services
Grant	To bestow or confer a benefit on another, with or without consideration. In contrast, a contract requires an exchange of consideration. Grants provided by State agencies must be authorized by the Legislature.
Hazardous activity	An activity that unduly exposes the contracting agency to liability for personal injury or property damage, an ultra-hazardous or dangerous activity. Contracts for hazardous activities must be accompanied by a certificate of insurance that names the State as an additional insured and financially protects the State in the event of a legal action arising out of performance of services under the contract.
Indemnification	Contractual provision in which one party will reimburse the other party for settlements or judgments on claims arising from the contract.
Independent contractor	A person working for an entity under contract and not an employee of the contracting agency. The contracting entity does not pay unemployment, disability, or workers' compensation insurance or withhold taxes from payments to the person. An independent contractor normally follows the contracting agency's direction on the results of the work but not on the means of accomplishing the work.
Information Technology (IT)	A contract for the acquisition of goods or services related to information technology: computer hardware, software licenses, software development, and maintenance of hardware and software.
In-kind services	Services performed in exchange for other services in lieu of money.
Interagency agreement	An agreement between two (2) or more State agencies (GC §§ 11256 – 11263.
Invitation For Bids (IFB)	A type of solicitation document used in a formal competitive bidding process, which contains a detailed statement of what the agency is attempting to purchase. Qualifying bidders compete solely on the basis of cost.
Joint Powers Agency (JPA)	An agency formed by agreement of two (2) or more public agencies. Under this agreement, the joint powers authority may exercise any power common to the contracting parties (GC § 6502).
Lease	A contract for the exclusive use or possession of real or personal property for a limited period of time in exchange for a valuable consideration.
Legal services	Services rendered by an attorney.
Local assistance contract	An agreement financed out of the local assistance portion of the budget, includes agreements providing assistance to local governments and aid to the public directly or through an intermediary, such as a nonprofit corporation organized for that purpose.

Master Service Agreement (MSA)	An agreement entered into by the Department of General Services pursuant to PCC § 10298 for use by other State agencies that wish to use the same services.
Microbusiness	See certified small or microbusiness
Non-collusion affidavit	An affidavit required of bidders on public works contracts, which asserts that the bidders did not conspire with each other in preparing and submitting bids.
Non-Competitive Bid (NCB)	NCB refers to the form and statutory process by which agencies apply to DGS for approval to make an acquisition without competitive bidding.
Non-profit	A group, often a corporation, organized for purposes other than generating profits; for example, a charitable, educational, religious, or scientific organization. Certification by the IRS or Franchise Tax Board is a common attribute.
Notice to contractors	The cover letter or instruction for prospective bidders that is attached to an Invitation for Bids or Request for Proposals.
Payment bond	A bond required for public works contracts in excess of $25,000. The bond covers the costs of labor and/or materials provided by the contractor's employees, subcontractors, and suppliers in the event that the contractor fails to make those payments.
Performance bond	A bond required for public works contracts in which progress payments are made; the bond guarantees the contractor's performance of the work required by the contract.
Person	An individual or a business entity, including but not limited to a sole proprietorship, partnership, corporation, or joint venture. For purposes of SCM 1, "person" may also refer to a government agency or a nonprofit association.
Personal property	Property consisting of any moveable or intangible items as opposed to land or fixtures on land (real property).
Prevailing wage	The wages paid, as and determined by the California Department of Industrial Relations to a distinct trade, craft, classification, or type of worker in the specified geographic area in which a public work is performed.
Progress payments	Partial payments related to steps or phases toward the completion of the required services under a contract.
Prompt Payment Act	Statutory provisions that establish late payment penalties for late payments made by State agencies or State contract. (GC § 927, et seq.)
Proprietary software	Software that is owned and copyrighted by the contractor who in turn sells licenses for the use of this product.
Protest	A formal challenge by a bidder to the intended award of a contract solicited by an Invitation for Bids or a Request for Proposals.
Protestant	A bidder who files a protest.
Real property	Land and fixtures on land.
Request for application	A document that solicits potential grantees to apply for a grant.
Ratification	An act or an agreement by which something previously done is confirmed or adopted.

Responsive bid	A bid that meets the specifications and other requirements contained in the IFB or RFP.
Service contract	A contract in which the contractor provides a duty or labor, as opposed to commodities or goods.
Small business	See *certified small business*.
Subscription agreement	Standard agreement form used by State agencies to acquire services from a contractor providing services on a master service agreement (MSA) or Leveraged Procurement Agreement (LPA).
Subvention contract	See *local assistance contract*.
Target Area Contract Preference Act (TACPA)	TACPA (GC § 4530 et seq.) provides preferences for contracting opportunities in distressed areas.