

# MANAGEMENT MEMO

	NUMBER: <b>MM08-03</b>
SUBJECT:  <b>DISABLED VETERAN BUSINESS ENTERPRISE (DVBE)                  INCENTIVE PROGRAM FOR PUBLIC WORKS                  CONSTRUCTION, SERVICE, LEASING, MATERIALS TESTING                  AND RELATED CONTRACTS.</b>	DATE ISSUED:  MARCH 5, 2008  EXPIRES:  UNTIL RESCINDED
REFERENCES: GOVERNMENT CODES §14600, §14615, §14838(F); MILITARY AND VETERANS CODE §999; CALIFORNIA CODE OF REGULATIONS §1896.98 ET SEQ.	ISSUING AGENCY:  DEPARTMENT OF GENERAL SERVICES

**Purpose** This Management Memo notifies State Agencies of the new procedures and policy for the Department of General Services (DGS) regarding the DVBE Incentive Program under the approved Regulations effective October 9, 2007. The DVBE Incentive Program will be implemented on all contracting and procurement activities utilizing the DVBE program requirement for services including: Public Works Construction, Service, Leasing, Materials Testing and related contracts.

**Who is affected** All State Agencies, Boards and Commissions utilizing services provided by the Real Estate Services Division within the DGS. Clients may see an impact to their projects' budgets as a result of the Incentive program.

**Background** The State established a DVBE Participation Goal of at least three percent of total contract dollars going to certified DVBE businesses. The goal applies to the total contract dollars expended each year by an awarding department. The DGS is committed to meeting and exceeding the three percent goal for DVBE Participation in State contracting and has implemented the DVBE Incentive program on contracting and procurement activities to further enhance the Department's commitment. The DVBE Incentive will be applied on all contracting and procurement activities utilizing the DVBE Program requirement for services including the following: Public Works Construction, Service, Leasing, Materials Testing and related contracts.

**Incentive Program** This Management Memo details the standard DGS Incentive Program. All contracts that include the DVBE program requirements will also include this DVBE Incentive program. Notification of the DGS Incentive program and program details will be included or referenced in the solicitation. Should the Department of General Services' highest ranking executive officer or his/her designee change the percentage of the incentive and/or cap for a specific contract or procurement (as permissible by the regulations), such changes will be detailed or referenced in the solicitation.

This DVBE Incentive will be applied during the evaluation process and will only be applied to responsive bids from responsible parties proposing the percentage(s) of DVBE participation for the DVBE Incentive(s) specified in

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the solicitation. At no time, shall application of the DVBE Incentive displace an award to a certified small business with a non-small business (CCR 18.96.99.100 (c)). Under the DVBE Incentive program any bidder not meeting the criteria to be certified as a Small Business is considered a “non-small business”.

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### Award Based on Low Price

For awards based on low price:

- The DVBE Incentive is equal to a bidder’s DVBE participation level (rounded to the nearest two (2) decimal places).
- The DVBE Incentive is subject to a minimum of one (1.00) percent and a maximum of five (5.00) percent and will not exceed \$500,000. This means, bids with DVBE participation of less than 1.00 percent will not qualify for an incentive. Bids with DVBE participation of more than 5.00 percent will be calculated with a 5.00 percent incentive.
- Bidders with DVBE participation of less than the required percentage listed in the solicitation (generally three percent) must still perform and submit a Good Faith Effort with their bid in order to meet the DVBE requirements.
- The Small Business Preference (5 percent up to \$50,000) may be combined with the DVBE Incentive but will not exceed a combined total of \$500,000.
- The DVBE Incentive is computed from the lowest responsive and responsible bid price.
- The dollar amount of the DVBE Incentive is then subtracted from that bid price to obtain the adjusted bid price, for comparison only.
- Bids will be awarded at the actual bid amount as verified by the State.
- The DVBE Incentive may be combined with the existing Small Business Preference Program.

### Award Criterion

Under the DVBE Incentive program a bidder claiming the Non-Certified Small Business Preference is considered a non-small business.

When two or more adjusted bid prices are equal, award will be made in the following order:

- Certified Small Business Preference Bidder with highest percentage of DVBE Participation.
- Certified Small Business Preference with no DVBE Incentive.
- Non-Certified Small Business Preference Bidder with highest percentage of DVBE Participation.
- Non-Certified Small Business Preference Bidder with no DVBE Incentive.
- Bidder with highest percentage of DVBE Participation and no Small Business Preference.
- Bidder with no Small Business Preference or DVBE Incentive.

If adjusted bid prices are equal and preference status and DVBE participation are equal, the award decision will be made by the State with a coin toss.

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For details and examples of how the DVBE Incentive will be calculated, please see Attachment 1.

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Contact  
Information

If you need additional information or assistance, please contact:  
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Signature

Original SAM Management Memo signed by Will Bush, Director

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Will Bush  
Director, Department of General Services

Attachments: Attachment 1 MM 08-03

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