

**MANAGEMENT MEMO**

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EXPIRES: <b>No Expiration</b>
ISSUING AGENCY: <b>Department Of General Services</b>

SUBJECT:

**Changes In Contracting Processes For Service Contracts and Consulting Services Contracts**

REFERENCES:

**Government Code sections 14616 and 14835.5; Public Contract Code sections 10335 and 10348(c); SB 1049; AB 1684 and AB 2304 (Statutes 2000); State Contracting Manual 4.03 and 4.04**

Recent legislation has resulted in improvements in the processes for contracting for services and consultant services. A review of previous departmental policies has provided other streamlining opportunities. These changes will enable state agencies to obtain services and consultant services more efficiently. In addition, contracting opportunities for certified small businesses will be enhanced. Department/agency contracting officials should be aware of the following changes:

**A. Increase in DGS Exemption Level**

The current exemption level for mandatory review of contracts by DGS is raised from \$20,000 to \$35,000, effective January 1, 2001. This change shall apply to contracts awarded after that date. (Reference: Government Code §14616; State Contracting Manual 4.03, 4.04)

The following contracts, regardless of amount, are still subject to DGS review:

- Contracts that limit the contractor's liabilities or require the state to indemnify or to hold the contractor harmless
- Contracts that require the state to assume liabilities beyond the state's control
- Contracts that create a contingent liability for the state
- Contracts that provide for advance payment for services or rentals
- Contracts for moving services

Departments/agencies will be required to provide internal assurances that all applicable contracting laws and policy requirements are complied with.

Note that other existing exemptions are not affected.

**B. Consolidation of the Public Contract Code**

The Public Contract Code provisions regarding services and consulting services has been consolidated into one body of law that includes both areas. The new section begins in Public Contract Code section 10335. (Reference: AB 2304)

**C. Competitive Bidding Threshold Raised**

Public Contract Code section 10335 has been amended to increase the minimum level for required advertising and competitive bidding from \$1000 to \$5000, effective January 1, 2001. This applies to services and consultant services contracts. (Reference: AB 2304)

Departments are still required to establish that the price paid is reasonable, thus some form of cost comparison is strongly encouraged.

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### D. Streamlined Bidding for Certified Small Businesses

Government Code section 14835.5 has been amended to permit the award of contracts up to \$100,000 to certified small businesses based on "quotes" from at least 2 certified small businesses. Effective January 1, 2001. (Reference: SB 1049)

Contracts over \$35,000 are subject to DGS approval per (A) above.

For further information on the requirements under this new law, see [www.dgs.ca.gov/ols](http://www.dgs.ca.gov/ols)

### E. Expedited Contracting Process

The new **Short Form Contract Process** may be utilized for contracts up to \$10,000. This process, which applies to all businesses, provides for expedited advertising and bidding processes. This was formerly known as the Simplified Service Contracting method. (Reference: AB 2304, Public Contract Code §10348(c) )

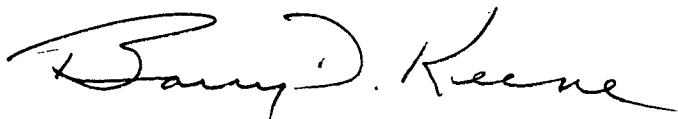
For further information on this process, see [www.dgs.ca.gov/ols](http://www.dgs.ca.gov/ols)

### F. Master List for Consulting Services

The Department of General Services Procurement Division has established a new master list for non-IT business and management consulting services. For specified services, this will allow departments to access qualified consultants without the lengthy delay inherent in individually bid contracts. (Reference: AB 1684)

For information about obtaining services through this master contract, see [www.dgs.ca.gov/pd](http://www.dgs.ca.gov/pd).

For questions regarding any of the information above, please contact the DGS Office of Legal Services at 445-4084.



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