

DVBE Incentive Workshop

To meet or exceed the
3% DVBE goal in State
contracting

Workshop Topics

- DVBE Incentive (SB 115) - Overview
- DVBE Incentive Regulations – Highlights
- Considerations When Adding Incentive to Your Department's Plan
- DVBE Incentive Examples
- Evaluation Tips and File Documentation
- DGS Contacts

DVBE Incentive (SB 115) – Overview

- Introduction: DVBE Program & Failure to Meet 3% Goal
- Purpose/Intent of SB 115:
 - Increase contract dollars going to DVBE primes & subs
 - Solve GFE problem by rewarding actual DVBE participation
 - Recruit and keep more DVBEs
 - Provide State agencies with a tool to reach mandated goal
- Implemented by DVBE Incentive Regulations
 - Expansion of Departmental Flexibility
- Scope: All Competitive Solicitations Posted or Released After October 9, 2007

DVBE Incentive Regulations – Highlights

- DVBE Incentive Amounts
 - **Low Price:** Minimum incentive of 1% of the lowest responsive/responsible bid, but may go up to 5% if department needs more to meet annual goal
 - **High Score:** Cannot be less than 1% or greater than 5% of total possible points, not including socioeconomic incentive and preference points
 - **Incentive Scale:** May offer a scale where bidders obtaining higher levels of participation qualify for greater incentives for low price or high score award

DVBE Incentive Regulations – Highlights

- Regulatory Caps
 - Incentive cannot exceed 5% - low price or high score award
 - Dollar cap is not required by regulation
- Dollar Cap(s) May Be Set by Departments
 - Highest executive officer (or designee) may place dollar cap on incentive on identified solicitation(s), of not less than \$100,000 and/or cap of \$100,000 on all combined incentives and preferences
 - Written documentation is required to confirm appropriate person set the dollar cap

DVBE Incentive Regulations – Highlights

- DVBE Incentive Application:
 - Must state incentive, cap(s) if any & minimum DVBE participation
 - Bidders proposing less than the minimum DVBE participation % must submit GFE documentation
 - Incentive is applied during evaluation only for responsive and responsible bidders proposing required %(s) of DVBE participation
 - If a solicitation contains DVBE Program Requirement, *must* include incentive; optional in other competitive solicitations
 - Highest executive officer (or designee) may exempt solicitation that includes DVBE Program Requirement from the incentive when a department has met or exceeded goal in 2 of the 3 last years on the date the solicitation is released
 - Architecture and Engineering contracts are exempted

DVBE Incentive Regulations - Highlights

- The *Incentive* can be given for partial DVBE participation less than 3% or a higher requirement set in solicitation but a GFE must be documented
- DVBE participation must be confirmed; *conditional participation* does not count toward incentive
- Apply the incentive after the SB preference

Considerations When Adding Incentive to Your Department's Plan

- What is the organizational structure of your department? Do you have a single plan or multiple internal plans to update?
- What dollar cap(s) is needed for your department? Same dollar cap(s) for public works as services?
- Has department met goal 2 out of 3 last years? If not, exemption of incentive is not an option?

Considerations When Adding Incentive to Your Department's Plan (cont.)

- Does department have guidelines/policy for setting minimum DVBE participation on a solicitation?
Determination of DVBE incentive amount?
- Is department's policy to exempt a solicitation from DVBE Program Requirements working well?
- Should department include incentive when solicitation is exempt from DVBE Program Requirements?
- How often does department use SB/DVBE Option?
Should they use it more often?

Small Business Example

(For evaluation only, bid is reduced by the incentive amount computed from the lowest responsive bidder. In sample below, contract would be awarded for \$104,000.*)

Using 5 percent incentive, minimum 3% DVBE participation, no dollar cap(s)

Bidder	A	B	C
Responsive/Responsible	Yes	Yes	Yes
Net Bid Price	\$100,000	\$102,000	\$104,000*
Eligible Preference	SB	None	SB
DVBE Participation	None	Yes	Yes
Rank	1	2	3
Incentive Amount			\$5,000
Adjusted Bid Amount			\$99,000
New Rank	2	3	1

Sliding Scale Example (Low Price Award)

Confirmed DVBE Participation	Incentive Amount
5% and Over	5%
4% - 4.99% inclusive	4%
3% - 3.99% inclusive	3%
2% - 2.99% inclusive	2%
1% - 1.99% inclusive	1%

- The net bid price is adjusted by the incentive amount.
- Incentive may be capped at 5% or \$100,000, whichever is less of the #1 ranked responsive net bid price and/or \$100,000 for combined preferences and incentives.

DVBE Incentive Scale Example (For evaluation only, bid is reduced by the incentive amount computed from the lowest responsive bidder. In sample below, contract would be awarded for \$103,000.*)

Low price using sliding scale in slide 11, minimum 3% DVBE participation

Bidder	A	B	C
Responsive/Responsible	Yes	Yes	Yes
Net Bid Price	\$100,000	\$102,000	\$103,000*
Eligible Preference	No	No	No
DVBE Participation	None	3%	100%
Rank	1	2	3
Incentive Amount		\$3,000	\$5,000
Adjusted Bid Amount		\$99,000	\$98,000
New Rank	3	2	1

High Score Method

- Incentive points are included in the sum of non-cost points
- Incentive points may be a “desirable” administrative requirement that awards points based upon amount of participation
- Incentive points cannot be used to achieve any applicable minimum point requirements
- Incentives cannot exceed 5%, nor be less than 1% of the total possible points, not including points for socioeconomic incentives or preferences.

High Score Method (continued)

Available points example using sliding scale in slide 11:

- 200 points – administrative
- 400 points – technical
- 600 points – cost
- 1200 points

60 points DVBE incentive
calculated as follows:

Confirmed DVBE Participation of:	Possible Points Calculation:
5% and Over	$5\% \times 1200 = 60$
4% - 4.99% inclusive	$4\% \times 1200 = 48$
3% - 3.99% inclusive	$3\% \times 1200 = 36$
2% - 2.99% inclusive	$2\% \times 1200 = 24$
1% - 1.99% inclusive	$1\% \times 1200 = 12$

Evaluation Tips (In Order)

- Determine which bidders are *responsive* and *responsible* per established policy, including:
 - Whether certified firms provide a *commercially useful function (CUF)*
 - Evaluate *DVBE participation*, including GFE & confirm (do not include “conditional” participation)
- Determine whether any bidder is eligible for a *small business preference or non-small business subcontracting preference*, calculate preference amount

Evaluation Tips (In Order) (cont.)

- Evaluate eligibility for/amount of DVBE incentives and/or maximum dollar cap(s). The lower amount is the incentive amount.

Note: Cannot displace a SB for low price award

- Apply any *other preferences*
- Select source / proposed awardee; document file
- Obtain required approvals for award; issue contract

Documentation

- Application of the incentive must be documented in the contract file
- For awards based on points, the methodology must also be documented
- DVBE participation, *including that which resulted from the use of the incentive*, must be captured for annual contracting reports



DVBE Incentive Regulation

Contacts:

Purchasing authority requirements: DGS/PD's Purchasing Authority Management Section at: pams@dgs.ca.gov

State Contracting Manual, Vol. 1: DGS Office of Legal Services, attorney assigned to your department.

State Contracting Manual, Vol. 2 & 3: DGS/PD's Policy and Procedures Office at: ppo@dgs.ca.gov

Assistance with Directory of California-Certified DVBEs: DGS/PD's Office of Small Business and DVBE Services at: 916-375-4940