CalPERS

DVBE Exemptions

If a DVBE exemption request is made on a Spring-Fed Pool (SFP) contract Letter of Engagement (LOE), it is important to understand how the exemption will impact DVBE participation.

This document provides explains LOE exemptions and provides examples of compliant and non-compliant exemption scenarios.

How Does a DVBE Exemption Work?

For vendors with Spring-Fed Pool (SFP) contracts, **each** awarded Letter of Engagement (LOE) must achieve the DVBE participation percentage indicated in the contract based on the **total contract value**.

If a vendor thinks they cannot meet the DVBE commitment on an individual LOE, the vendor will need to request a DVBE LOE exemption, with an understanding that the exempted amount will need to be made up on future a LOE(s).

For example, if a vendor has two LOEs under the same SFP contract number, and both LOEs have a value of $5,000, the total contract value is $10,000. If the vendor committed to 5% DVBE participation, **each LOE** should pay out $250 ($500 total) to the DVBE named on the DVBE Contract Participation form to be contractually compliant.

If LOE #1 is exempted, the vendor is still required to pay 5% of $10,000. This means the vendor will need to pay 10% to a DVBE on the second LOE to make up for the exemption they took on the first LOE. However, it is important to note that **LOEs are not guaranteed**.

If a vendor exempts a LOE and it is the only LOE received, the vendor will be out of compliance at the end of the contract term and may be subject to penalties. The non-compliance will be reported to CalPERS management and the Department of General Services (DGS).

For this reason, DVBE contract exemptions requested at the LOE-level should only be considered as a last option.

DVBE Exemption Examples

DVBE - LOE Exemption Examples

Contract Details	
LOE No.	**Contract Value**
1	$1,000.00
2	$1,000 .00
Total Contract Value	$2,000.00
DVBE %	5%
Total Contractual DVBE Payment Required	**$100.00**

Ideal Compliance Scenario

DVBE is paid out on each LOE at the contracted DVBE participation amount (in this case, DVBE is 5%)

LOE No.	Value of LOE	DVBE %	Total DVBE LOE payout
1	$1,000	5%	$50.00
2	$1,000	5%	$50.00
		Total DVBE Payment Amount:	$100.00

Compliant, but Not Ideal Scenario

LOE No.	Value of LOE	DVBE %	Total DVBE LOE payout
1	$1,000	3%	$30.00
2	$1,000	7%	$70.00
		Total DVBE Payment Amount:	$100.00

While this example shows compliance, this situation is not ideal because **LOEs are not guaranteed**. So, if a second LOEs is not awarded, the vendor in the example above would have missed their DVBE participation goal by 3%, or $30.

CalPERS

DVBE Exemption Examples

DVBE - LOE Exemption Examples

Compliant Exemption Scenario

LOE No.	Value of LOE	DVBE %	Total DVBE LOE payout
1	$1,000 (*exempt)	0%	$0.00
2	$1,000	10%	$100.00
		Total DVBE Payment Amount:	$100.00

NOTE: If an exemption is approved, you must make up the percentage you did not pay on the exempted LOE, on the next LOE.

Non-Compliant Exemption Scenario

LOE No.	Value of LOE	DVBE %	Total DVBE LOE payout
1	$1,000 (*exempt)	0%	$0.00
2	$1,000	5%	$50.00
		Total DVBE Payment Amount:	$50.00

NOTE: If an exemption is approved, and the vendor does not make up the DVBE % that was exempted on the next LOE, the vendor will be out of compliance. Additionally, **LOEs are not guaranteed**, so if an exemption is approved and the vendor is not awarded another LOE, the vendor will still be out of compliance.

Failing to meet the DVBE commitment because another LOE was not awarded, regardless of any attempts to acquire additional business from CalPERS, is not an acceptable excuse and will result in penalties. Contact the SBDVBE Advocate at sb_dvbeadvocate@calpers.ca.gov before exempting a LOE from DVBE.