

July 2, 2008

To: City Engineers and County Engineers  
Metropolitan Planning Organizations  
Regional Transportation Planning Agencies  
Public Works Directors for All Cities and Counties in California

RE: FEDERAL-AID CONTRACTS WITH DISADVANTAGED BUSINESS ENTERPRISE (DBE) GOALS

The purpose of this letter is to remind local agencies that awarding federal-aid contracts with DBE goals and/or good faith effort requirements under the current Race Neutral DBE Program renders those projects **ineligible** for federal reimbursement.

The Department of Transportation (Caltrans) and local agencies have been implementing a Race Neutral DBE Program since May 1, 2006. The Race Neutral DBE Program requires implementing only Race Neutral measures to meet the annual overall goal. To ensure that you and your staff are familiar with the Race Neutral implementation, refer to the latest version of the Local Assistance Procedures Manual (LAPM), specifically Chapters 9, 10 and 12 located at:  
<http://www.dot.ca.gov/hq/LocalPrograms/lam/lapm.htm>

Awarding federal-aid contracts with DBE goals and requiring good faith efforts on the part of bidders to meet the DBE goal are Race Conscious measures and are prohibited under the current DBE Race Neutral Program. Where local agencies have awarded federal-aid contracts that include DBE contract goals and/or good faith effort requirements after May 1, 2006, those projects are ineligible for federal reimbursement. Violations will result in de-obligation of all federal funds for the phase of work in which the violation occurred. Any expended funds must be returned.

If a local agency completes a local disparity study, the results will apply to contracts that are funded solely with local funds.

The appropriate race neutral construction contract specifications must be used in all federal-aid contracts at this time. To ensure that your local agency uses the latest construction contract specifications available, always refer to the construction contract specifications online located at the Caltrans, Division of Local Assistance website at:

[http://www.dot.ca.gov/hq/LocalPrograms/sam\\_boil/sam\\_boil.htm](http://www.dot.ca.gov/hq/LocalPrograms/sam_boil/sam_boil.htm)

For federal-aid consultant contracts, please refer to Chapter 10 of the LAPM, Exhibits 10-I *Notice to Bidders/Proposers Disadvantaged Business Enterprise Information*, and 10-J *Standard Agreement for Subcontractor/DBE Participation*.

Timely reporting of DBE participation both at award and at the completion of the contract is still required—even if there is zero percent participation. If you have any questions, please call Arthur P Duffy, PE at (510) 622-5928, or Moe Shakernia, PE at (510) 286-5236.

Sincerely,

Sylvia Fung, Chief  
Office of Local Assistance