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January 1, 2021

SPECIAL PROVISION

REGARDING

DBE CONTRACT GOAL

Electronic Code of Federal Regulations (e-CFR):  
49 CFR 26

All contractors shall pursue affirmative action requirements to encourage and increase participation of firms certified as a Disadvantaged Business Enterprise (DBE) as set forth in this special provision and in accordance with 49 CFR Part 26. The bidder shall arrange for the percentage of the work specified on the cover of the Proposal Contract to be performed by Tennessee Uniform Certification Program (TNUCP) Disadvantaged Business Enterprises (DBEs) or otherwise clearly demonstrate adequate good faith efforts as described herein. All payments must follow the conditions set by the most current T.C.A. § 12-4-707.

The Contractor shall take full responsibility for ensuring the performance of a “commercially useful function” (CUF), as defined in 49 CFR Part 26, by all DBE subcontractors, manufacturers, and materials suppliers who work on the project or provide materials for the project.

**A. Disadvantaged Business Enterprise Policy**

The Contractor shall abide by the following provision and include in all subcontract agreements the following provision, which is designed to promote full participation of DBEs as suppliers and subcontractors through a continuous, positive result-oriented program on contracts let by the Department:

*The Contractor, sub-recipient or subcontractor shall not discriminate on the basis of race, color, national origin, or sex in the performance of this contract. The Contractor shall carry out applicable requirements of 49 CFR Part 26 in the award and administration of U.S. Department of Transportation- assisted contracts. Failure by the Contractor to carry out these requirements is a material breach of this contract, which may result in the termination of this contract or such other remedy as the Department deems appropriate, which may include, but is not limited to:*

- 1) *Withholding monthly progress payments;*
- 2) *Assessing sanctions;*
- 3) *Liquidated damages; and/or*
- 4) *Disqualifying the contractor from future bidding as non-responsible.*

*The Title VI and nondiscrimination provisions of USDOT Order 1050.2A at Appendixes A and E are incorporated by reference. 49 CFR Part 21.*

**B. Counting DBE Participation toward Meeting Goals**

The Contractor shall count DBE participation toward goals in accordance with 49 CFR Part-26. If the DBE performs a CUF on the contract including those functions as a subcontractor, expenditures to a DBE contractor count toward DBE goals. A DBE performs a CUF when it is responsible for execution of the specified work of the contract and is carrying out its responsibilities by actually performing, managing, and supervising the work involved. To perform a CUF, the DBE must also be responsible, with respect to materials and supplies used on the contract, for negotiating price, determining quality and quantity, ordering the material, installing (where applicable), and paying for the material itself. The work performed by the DBE firm shall be necessary and useful to the completion of the contract, and consistent with normal highway construction industry practices in Tennessee. Work performed by a DBE firm in a particular transaction may be counted toward the goal only if the Department determines that it involves a CUF. The determination is verified by the “Commercially Useful Function Checklist” and the requirements of 49 CFR Part 26.

*Note: In accordance with 49 CFR 26.55(c), to determine whether a DBE is performing a CUF, the Department must evaluate the amount of work subcontracted, industry practices, whether the amount the firm is to be paid under the contract is commensurate with the work it is actually performing, and the DBE credit claimed for its performance of the work, and other relevant factors. A DBE does not perform a commercially useful function if its role is limited to that of an extra participant in a transaction, contract, or project through which funds are passed in order to obtain the appearance of DBE participation. In determining whether a DBE is such an extra participant, the Department must examine similar transactions, particularly those in which DBEs do not participate.*

*When a DBE is presumed not to be performing a commercially useful function, the DBE may present evidence to rebut this presumption. The Department may determine that the firm is performing a commercially useful function given the type of work involved and normal industry practices.*

The bidder may count the following DBE expenditures involving a CUF towards the DBE goal:

**1. Projects where the DBE is the Prime Contractor**

The entire portion(s) of the contract to be completed by certified DBE firm’s own forces will be counted toward meeting the goal. This will also include the cost of supplies and materials obtained by the DBE for the work of the contract, including supplies purchased or equipment leased by the DBE. Items of the contract subcontracted to non-DBE firms will not be counted toward the goal.

*Note: If a DBE does not perform or exercise responsibility for at least 30 percent of the total cost of its contract with its own work force, or the DBE subcontracts a greater portion of the work of a contract than would be expected on the basis of normal industry practice for the type of work involved, the Department must presume that it is not performing a commercially useful function.*

## **2 Portions of a Bid from a Joint Venture**

When a DBE performs as a participant in a joint venture, only the total dollar value of the contract equal to the distinct, clearly defined portion of the work of the contract that the DBE performs with its own forces will count toward DBE goals. A bid from a joint venture between a DBE and a non-DBE Contractor shall include an explanation of DBE commitments on [Form 8-5](#), which must be approved by the Civil Rights Division - Small Business Development Program (CRD-SBDP) and Local Programs Division prior to the letting. Only the DBE's portion will be counted toward the goal. Joint venture agreements have to be approved separately from the bid documents, prior to the awarding of the contract.

## **3 DBE Subcontractors**

The DBE subcontractor shall assume actual and contractual responsibility for provision of materials and supplies, subcontracted work, or other commercially useful functions of the items of work subcontracted to them. When a DBE subcontracts part of the work of its contract to another firm, the value of the subcontracted work may be counted toward the DBE goal only if the DBE's subcontractor is also a DBE. Work that a DBE subcontracts to a non-DBE firm does not count toward the DBE goal. Cost of materials purchased from, or the cost of equipment leased from the non-DBE Contractor will not count toward the project DBE commitment. Prior written approval must be obtained from the CRD- SBDP for any DBE use of the Contractor's personnel or equipment.

## **4 DBE Manufacturers**

The Contractor may count toward the DBE goal 100% of its expenditures for materials and supplies required under a contract and obtained from a DBE manufacturer only if the DBE operates or maintains a factory or establishment that produces, on the premises, the materials, supplies, articles, or equipment required under the contract and of the general character described by the specifications.

## **5 DBE Regular Dealers (Material Suppliers)**

The Contractor may count toward the DBE goal 60% of its expenditures for materials and supplies required under a contract and obtained from a DBE regular dealer. For purposes of this section, a regular dealer is a firm that owns, operates, or maintains a store, warehouse, or other establishment in which the materials, supplies, articles, or equipment of the general character described by the specifications and required under the contract are bought, kept in stock, and regularly sold or leased to the public in the usual course of business. To be a regular dealer, the firm must be an established, regular business that engages, as its principal business and under its own name, in the purchase and sale or lease of the products in question. A firm may be a regular dealer in such bulk items as petroleum products, steel, cement, gravel, stone, or asphalt without owning, operating, or maintaining a place of business where such products are bought, kept in stock, and regularly sold to the public if the firm owns and operates the distribution equipment for the products. Any supplementing of the regular dealer's own distribution equipment shall be by a long-term lease and not on an ad hoc or contract-by-contract basis. Any lease containing the terms of the agreement shall be made available to and must be approved in writing by CRD-SBDP.

## **6. Other DBE Suppliers**

With respect to materials or supplies purchased from a DBE which is neither a manufacturer nor a regular dealer, count the entire amount of fees or commissions charged for assistance in the procurement of the materials and supplies, or fees or transportation charges for the delivery of materials or supplies required on a job site, toward DBE goals; provided, the Department finds the fees to be reasonable and not excessive as compared with fees customarily allowed for similar services. The cost of the materials and supplies themselves shall not count toward DBE goals.

## **7. Transportation or Hauling of Materials**

The Contractor may count towards the DBE goal hauling in either DBE-owned trucks or in trucks leased to or by DBE firms. The verification of truck drivers employed by DBE firms will continue to be by submission of payrolls independent from any Davis-Bacon regulations. Use the following factors in determining whether a DBE trucking company is performing a CUF:

- a. The DBE must be responsible for the management and supervision of the entire trucking operation for which it is responsible on a particular contract, and there cannot be a contrived arrangement for the purpose of meeting DBE goals.
- b. The DBE must itself own and operate at least one fully licensed, insured, and operational truck used on the contract.
- c. The DBE receives credit for the total value of the transportation services it provides on the contract using trucks it owns, insures, and operates using drivers it employs.
- d. The DBE may lease trucks from another DBE firm, including an owner-operator who is certified as a DBE. The DBE who leases trucks from another DBE receives credit for the total value of the transportation services that the lessee DBE provides on the contract.
- e. The DBE may also lease trucks from a non-DBE firm, including an owner-operator. The DBE that leases trucks equipped with drivers from a non-DBE is entitled to credit for the total value of transportation services provided by non-DBE leased trucks equipped with drivers not to exceed the value of transportation services provided by DBE-owned trucks or leased trucks with DBE employee drivers. Additional participation by non-DBE owned trucks equipped with drivers receives credit only for the fee or commission it receives as a result of the lease arrangement. If the DBE chooses this approach, it must obtain written consent from the Department [CRD- SBDP].
- f. The DBE may lease trucks without drivers from a non-DBE truck leasing company. If the DBE leases trucks from a non-DBE truck leasing company and uses its own employees as drivers, it is entitled to credit for the value of these hauling services.
- g. For purposes of this paragraph, a lease must indicate that the DBE has exclusive use of and control over the truck. Leases cannot be Department contract-specific, must be long term, and must be approved by CRD-SBDP. This does not preclude the leased truck from working for others during the term of the lease with the consent of the DBE, so long as the lease gives the DBE absolute priority for use of the leased truck. Leased trucks must display the name and identification number of the DBE.

- h. Prior to hauling, the Contractor and DBE shall provide the District Supervisor a complete list of trucks that will be used on the project for DBE goal participation. The Department will provide a form that shall be used by the Contractor and the DBE to identify the trucks. A revised list will be required any time the trucks used changes. The Contractor and DBE must be able to adequately document the actual amount of hauling eligible for DBE goal participation.

**8. Contracted Labor / Temporary Employment Agencies**

The Department will count the entire amount of fees or commissions charged by a DBE firm for providing a bona fide service, such as professional, technical, consultant, or managerial services, or for providing bonds or insurance specifically required for the performance of the contract; provided, however, the Department must find the fee to be reasonable and not excessive as compared to the fees customarily allowed for similar services.

**C. Contract Award Procedures**

The established DBE goal will be shown on the proposal as a percent of the total amount bid. If the total proposed DBE work submitted with the bid is less than the percentage participation goal set by the Department, the bidder shall, within three (3) business days from the bid openings, either propose sufficient additional DBE participation to meet the goal or clearly demonstrate by documentation that good faith efforts were made to meet the goal.

**1. Bidder's Responsibility**

It is the bidder's responsibility to determine the level of professional competence and financial responsibility of any proposed DBE subcontractor. The bidder shall ascertain that the proposed DBE subcontractor has suitable experience and equipment to perform a commercially useful function for work that is common industry practice in the Tennessee highway construction industry.

The Contractor shall develop and maintain records of negotiations with DBEs to reach agreeable prices, quotations, and work schedules, including but not limited to a record of dates when the Contractor first contacted each DBE.

**2. DBE's Responsibility**

Before bidding and subsequently entering into a contract (as a contractor or subcontractor), the DBE should consider the scope and size of the project, as well as whether it is certified to receive credit for the type of work performed. As with any contract, this is a legally binding document and should be performed to the best of one's ability. However, should a DBE ever have to withdraw from a contract, it shall provide the CRD-SBDP and Contractor with written documentation. A DBE should only withdraw when there is no other option, as non-completion of its duties may result in temporary disqualification of a prequalified bidder or subcontractor by suspending the privilege of bidding on Department contracts or becoming an approved subcontractor, as outlined in Chapter 1680-05-03 of the Rules of the Department.

### **3. Proposals with Established Project DBE Goals**

For proposals with established project goals, the bidder will be required to complete [Form 8-5: DBE Award Information](#). The bidder shall list the following information on each Form 8-5 that is submitted:

- a. The names and addresses of all DBE firms being used or being considered for use under the contract as part of the bidder's DBE commitment.
- b. The work classification(s) for each DBE on the contract.
- c. The "Amount to DBE" which has been committed to each DBE firm for use on the contract.
- d. Written documentation of the bidder's commitment to use a DBE subcontractor whose participation it submits to meet a contract goal; and
- e. Written confirmation from each listed DBE firm that it is participating in the contract in the kind and amount of work provided in the Contractor's commitment.
- f. All other requested information that is on Form 8-5.

Submit the quote from the DBE and the completed DBE Form 8-5 within three (3) business days after the Letting. Failure to provide the quote and the completed form or documentation clearly evidencing a good faith effort, as detailed in Section 4 below, within three (3) business days after the Letting may cause the bid to be rejected as irregular. Only certified DBE firms may be used. Contractor may access certification information by viewing the [TNUCP DBE Directory website](#).

When DBE goal projects are involved and the Contractor subcontracts to a non- DBE, and the non-DBE subcontractor in turn subcontracts to a DBE as a second-tier subcontractor, the Contractor must affirm in writing his/her knowledge and approval of such an arrangement. Recognition of a second-tier arrangement with a DBE subcontractor for goal work must be forwarded to the CRD-SBDP Director for verification, in writing, prior to any work being performed by the DBE which is intended to be counted toward the goal.

### **4. Bidder Selection and Good Faith Efforts**

- a. Bidders shall submit proposals that meet the DBE goal or shall submit documentation clearly evidencing that they made a good faith effort to meet the DBE goal. Contractors who meet or exceed the contract goal will be assumed to have made good faith efforts to utilize DBE firms. DBE firms who bid as Prime Contractors will be considered to have met the goal.
- b. In making a fair and reasonable judgment as to whether the bidder has made adequate good faith efforts, the Department shall consider quality, quantity, and intensity of the different kinds of efforts that the bidder has made. The following list of factors is not intended to be a mandatory checklist, nor is it intended to be exclusive or exhaustive. Other factors or types of efforts may be relevant in appropriate cases. In any event, the Department may consider whether the bidder:
  - 1) Selected portions of the work likely to attract DBE participation. The total dollar value of the portions selected should meet or exceed the contract DBE goal. If it is necessary, the bidder should break down subcontracts into economically feasible units in order to facilitate participation.

- 2) Provided notice to a reasonable number of specific DBEs, including those not regularly used by the bidder, that their participation in the contract is being solicited in sufficient time to allow them to participate effectively.
  - 3) Provided interested DBEs with adequate information about the plans, specifications, and requirements of the contract.
  - 4) Advertised in trade association publications or minority-focused media concerning participation opportunities.
  - 5) Effectively used the services of available minority community organizations, minority contractors' groups, local, state, or federal minority business assistance offices, or other organizations that provide assistance in the recruitment and placement of DBEs.
  - 6) Negotiated in good faith with interested DBEs, including not rejecting DBEs as unqualified lacking sound reasons based on a thorough investigation of their capabilities.
  - 7) Made efforts to assist interested DBEs in obtaining bonding or insurance required by the bidder.
  - 8) Submitted all quotations received from DBEs, and for those quotations not accepted, an explanation of why the DBE was not accepted including price comparisons. Receipt of a lower quotation from a non-DBE will not in itself excuse a bidder's failure to meet the contract goal.
  - 9) Has adequate records of its contacts and negotiations with DBEs.
- c. If the Contractor has not met the DBE goal or submitted documentation clearly evidencing good faith efforts within three (3) business days after the bid opening, the Contractor's bid will be considered non-responsive and may be cause for the forfeiture of the Proposal Guaranty which shall become the property of the Department, not as penalty, but as liquidated damages. The Department then may consider the next lowest responsive bid for award.

As soon as practical after contract award, the Contractor shall submit copies of all binding subcontracts and purchase orders with DBEs to the respective District Supervisor and to CRD-SBDP.

No progress estimate shall be processed until copies of all binding subcontracts and purchase orders with DBEs have been received.

#### **5. Joint Checking Allowance for DBE**

A DBE must receive pre-approval by the Department before using a joint check. Joint check requests shall be submitted by the DBE to CRD-SBDP prior to the subcontract agreement.

The following are some general conditions that must be met regarding joint check use:

- a. The second party (typically the Contractor) acts solely as a guarantor.
- b. The DBE must release the check to the supplier.
- c. The use of joint checks must be a commonly recognized business practice in the industry.
- d. The DBE remains responsible for all other elements of 49 CFR Part 26.55(c)(1).
- e. The DBE is not required to use a specific supplier nor the Contractor's negotiated unit price.
- f. The DBE shall submit receipt/copy of cancelled checks to CRD- SBDP.

## **D. Construction Requirements**

### **1. Preconstruction Conference**

The Contractor shall identify all DBE subcontractors and indicate the approximate dates for their appearance on the project. The Department will review the contract information to verify the actual work to be performed by the DBE subcontractors and will review any lease agreements allowed as part of the DBE commitment. Information submitted shall match Form 8-5.

### **2. Process for Removal of a DBE**

At no time shall a DBE be terminated or substituted without prior written consent from CRD-SBDP. This includes, but is not limited to, instances in which the Contractor seeks to perform work originally designated for a DBE subcontractor with its own forces or those of an affiliate, a non-DBE firm, or with another DBE firm. The Contractor shall utilize the specific DBEs listed to perform the work and supply the materials for which each is listed unless the Contractor obtains the CRD-SBDP's written consent as provided herein. Absent such written consent, the Contractor shall not be entitled to any payment for work or material unless it is by the listed DBE. The CRD-SBDP may provide such written consent only if it agrees that the Contractor has good cause to terminate the DBE firm, as further described below.

Before terminating and/or substituting a DBE subcontractor on a project that includes SP1247 in the Contract Proposal, the Contractor must give notice in writing to the DBE subcontractor, with a copy to the CRD-SBDP, of its intent to request to terminate and/or substitute including the reason for the request.

The Contractor must then give the DBE five (5) days to respond to the Contractor's notice. The DBE shall then advise the CRD-SBDP and the Contractor of the reasons, if any, why it objects to the proposed termination of its subcontract and why the CRD-SBDP should not approve the Contractor's action. If required in a particular case as a matter of public necessity (e.g., safety), the CRO-SBDP may provide a response period shorter than five (5) days.

If approval is granted for removal, CRD-SBDP will submit a letter to the Contractor and the DBE. Good faith efforts shall then be directed at finding another DBE subcontractor to perform at least the same amount of work under the contract as the DBE that was terminated, to the extent needed to meet the contract goal established.



The good faith efforts shall be documented by the Contractor. If requested by the CRD-SBDP, the Contractor shall submit the documentation within seven (7) days, which may be extended for an additional seven (7) days, if necessary, at the request of the Contractor, and the CRD-SBDP shall provide a written determination to the Contractor stating whether or not good faith efforts have been demonstrated.

The Contractor has the responsibility to comply with 49 CFR Part 26.53(f) and all applicable policies and regulations.

Reasons for termination and/or substitution of a DBE subcontractor must meet the reasons for good cause as outlined in the current 49 CFR Part 26.53(f), which include, but are not limited to, circumstances in which the listed DBE subcontractor:

- a. Fails or refuses to execute a written contract.
  - b. Fails or refuses to perform the work of its subcontract in a way consistent with normal industry standards. Provided, however, that good cause does not exist if the failure or refusal of the DBE subcontractor to perform its work on the subcontract results from the bad faith or discriminatory action of the Contractor.
  - c. Fails or refuses to meet the Contractor's reasonable, nondiscriminatory bond requirements.
  - d. Becomes bankrupt, insolvent, or exhibits credit unworthiness.
  - e. Becomes ineligible to work on public works projects because of suspension and debarment proceedings pursuant with 2 CFR Parts 180 and 1200 or applicable state law.
  - f. Is not a responsible subcontractor, as determined by the Department.
  - g. Voluntarily withdraws from the project and provides written notice to the Contractor of its withdrawal.
  - h. Is ineligible to receive DBE credit for the type of work required.
  - i. Is unable to complete its work on the contract as a result of death or disability of an owner; and/or
  - j. For other documented good cause, the Department may elect to compel the termination of the DBE subcontractor; provided that good cause does not exist if the Contractor seeks to terminate a DBE it relied upon to obtain the contract so that the Contractor can self-perform the work for which the DBE was engaged, or so that the Contractor can substitute another DBE or non-DBE subcontractor after contract award.
3. Brokering of work by DBEs is not allowed and is a material breach of contract. A DBE firm involved in brokering of work may result in removal or suspension of DBE certification and/or formal enforcement actions, including civil actions for false claims, suspension and debarment proceedings, or other administrative actions affecting bidder qualifications. Any firm involved in brokering of work that engages in willful falsification distortion, or misrepresentation with respect to any facts related to the project shall be referred to the U. S. Department of Transportation's Office of the Inspector General for prosecution under Title 18, U.S. Code, Section 641. Contractor shall place this provision in all subcontracts with DBEs.

4. The Contractor shall provide notification to the Project Supervisor at least 24 hours prior to each DBE beginning work. A Department Project Supervisor/Inspector must complete a Commercially Useful Function (CUF) Checklist to document the first date of work, work items, equipment, and forces of each DBE.
5. The Contractor shall provide a monthly payment certification to the Department entitled "Prompt Payment Certification Form." The Department shall provide the Contractor with a computer generated [Prompt Payment Certification Form: LP Form 8-29](#). An officer of the Contractor shall provide electronic signature to the Prompt Payment Certification Form and return via email to [DBE.Runningtally@tn.gov](mailto:DBE.Runningtally@tn.gov).

Prompt Payment data shall be submitted monthly beginning no later than sixty (60) days after payment of the first estimate.

6. The Department will hold estimate payment if previously listed information is not submitted. Reasons for non- payment to a DBE could include the following:
  - a. Whether the DBE is performing satisfactorily.
  - b. Whether the Contractor has reason to believe the DBE is not performing a commercially useful function, and if so, why, and what steps the Contractor is taking to rectify the situation.

In the event the Contractor reports questions in relation to prompt payment regarding whether a DBE is independent and performing a commercially useful function and takes appropriate steps promptly to address the issue, then the Department will take this effort into account when considering Contractor compliance measures as described below. Payments must abide by the conditions set in TCA 12-4-707.

#### **E. Post Construction Requirements**

Prior to receiving final payment, the Contractor shall provide to the Project Engineer and CRD-SBDP certification of the dollars paid to each DBE firm, using [Form 8-35; CC3](#). The certification shall be dated and signed by a responsible officer of the contractor and by a responsible officer of the DBE. Falsification of this certification may result in removal or suspension of DBE certification and/or formal enforcement actions, including civil actions for false claims, suspension and debarment proceedings, or other administrative actions affecting bidder qualifications. The final estimate will not be paid to the Contractor until proper certifications including CC-3 have been made.

#### **F. Required Records**

The Contractor and all subcontractors shall retain, for a period of not less than three (3) years after final acceptance of a project, copies of canceled checks or other documentation that substantiates payments to DBE firms. These records shall be available at reasonable times and places for inspection by authorized representatives of the Department and various Federal Agencies. Copies shall be provided to the Department if requested.

**G. Contractor Compliance**

If the Contractor fails to comply with Special Provision 1247 and/or 49 CFR Part 26, including failure to obtain goal where a good faith effort was not accepted, the Department shall take one or a combination of the following steps:

1. Withhold from the Contractor the monetary value of the unattained goal percentage plus an additional 10% for engineering costs, not as penalty but as liquidated damages.
2. Suspend the Contractor from participation in Department bid lettings pursuant to rules promulgated by the Department.
3. For repeated failures to comply, debar the Contractor pursuant to rules promulgated by the Department.
4. Invoke other remedies available by law and/or in the contract.
5. Invoke any other lawful remedy agreed upon by the Commissioner and the Contractor in writing.