

Pre-Qualification of Contractors Seeking to Bid on Public Works Projects:
The 1999 State Legislation and The Model Forms created by the Department of Industrial Relations*

*The Model Forms (Pre-qualification Questionnaire) were prepared using Microsoft Word 2000 under MS Windows, and are available by selecting one of the following documents:

- [MS Word file \(PubWksPreQualModel.doc, 319KB\)](#)
- [Rich Text Format \(PubWksPreQualModel.rtf, 425KB\)](#)
- [Adobe Acrobat document \(PubWksPreQualModel.pdf, 136KB\)](#)

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I. IMPORTANT PROVISIONS OF THE 1999 LAW

In 1999, the Legislature enacted a law that allows many public agencies to require licensed contractors that wish to bid for public works jobs to "pre-qualify" for the right to bid on a specific public works project, or on public works project undertaken by a public agency during a specified period of time. Public Contract Code section 20101 has the relevant provisions; it was enacted as part of Assembly Bill 574.

The law applies to all cities, counties, and special districts but does not apply to K-12 school districts (which have similar authority to create pre-qualification procedures, described in Public Contract Code section 20111.5, which was enacted in 1997) [\[1\]](#).

The law does not require any public agency to adopt a pre-qualification system. Instead, it authorizes every public agency to adopt a pre-qualification system, and describes certain requirements that must be met (described below), if a public agency chooses to adopt such a system.

In fact, the 1999 law allows a public agency to establish two different kinds of pre-qualification procedures for public works projects. The law allows a public agency to establish a pre-qualification procedure linked to a single project (Section 20101[d]). Or, the public agency may adopt a procedure by which a contractor may qualify to bid on projects which are put out for bid by that agency for a period of one year after the date of initial pre-qualification. (Section 20101[c]).

The law requires every public agency that creates either kind of pre-qualification procedure to:

- (1) use a "standardized questionnaire and financial statement in a form specified by the public entity"(Section 20101[a]);
- (2) adopt and apply a uniform system of rating bidders on objective criteria, on the basis of the completed questionnaires and financial statements (Section 20101[b]);

(3) create an appeal procedure, by which a contractor that is denied pre-qualification may seek a reversal of that determination. (Section 20101[d]).

II. ROLE OF THE DEPARTMENT OF INDUSTRIAL RELATIONS

AB 574 required the Department of Industrial Relations (DIR) to "develop model guidelines for rating bidders, and draft the standardized questionnaire." It required DIR to "consult with affected public agencies, cities and counties, the construction industry, the surety industry, and other interested parties."

From January through October 2000, DIR held a series of meetings in Sacramento with representatives of public agencies and other interested parties. Each meeting was attended by more than 25 representatives of interested parties. All told, more than 60 people participated in at least one such meeting, and most representatives participated in more than one. Contractors, public agencies both large and small, and associations of each were well represented throughout the series of meetings. DIR's initial draft of a questionnaire was revised after each meeting, and each revised draft was discussed at the next meeting, leading to additional revisions. Eventually, there was widespread consensus that the model questionnaire provided in this package offers a system of rating bidders based on objective criteria, and a useful and appropriate series of questions.

In addition, DIR, in compliance with the 1999 legislation, created model guidelines for rating bidders. The model rating system also is included in this package.

III. AN OVERVIEW OF THE DOCUMENTS IN THIS PACKAGE

Included in this package are:

1. A model questionnaire to be sent to contractors. The questionnaire includes spaces for answers to be provided by the contractors, with the forms to be returned to the public agency [\[2\]](#). As required by the legislation, the information provided to the public agency by the contractors, other than the names, addresses and contractor license numbers of the contractors applying – is to be kept confidential.
2. A model scoring system, for rating the answers given by the contractors and by the references. Note: the documents provided here by DIR are designed to collect the information that a public agency will need to carry out a pre-qualification procedure, and the DIR has proposed a rating system. Each public agency, however, is free to devise its own "uniform system of rating prospective bidders . . . based on objective criteria." That is, each public agency may determine its own scoring system and its own passing scores for different portions of the questionnaire and for the interviews.
3. A model series of questions to be used by representatives of the public agency when interviewing persons who are identified by contractors as their "references" – owners of projects that have been completed by each contractor in the recent past.

4. DIR's suggestions for procedures to be used for conducting the reference interviews.
5. Two alternative forms: model announcements of pre-qualification procedures. Each is a summary and explanation of the pre-qualification procedure, prepared primarily for licensed contractors, although available for the general public as well. There are two slightly different versions of this document: one explains the pre-qualification procedure linked to a single project [\[3\]](#), while the other explains the procedure of pre-qualification valid for a year and for more than one project.
6. A list of sources of information that may be used by a public agency to verify the accuracy of many of the answers given by the contractors to the questions on the questionnaire. [\[4\]](#)

IV. APPEAL PROCEDURE

Section 20101(d) requires every public agency that requires prospective bidders to prequalify pursuant to this law to establish "a process that will allow prospective bidders to dispute their proposed prequalification rating prior to the closing time for receipt of bids." The appeal process must include written notification by the public agency of the basis for the prospective bidder's disqualification "and any supporting evidence that has been received from others or adduced as a result of an investigation by the public entity." (section 20101[d][1]). The prospective bidder must be given an opportunity to rebut any evidence used as a basis for disqualification and to present evidence to the public entity as to why the prospective bidder should be found qualified." (section 20101[d][2]). The law does not describe the appeal procedure in any additional detail; each public agency is free to adopt its own procedures, as long as the statutory requirements are met. As an example, while Part I of the model questionnaire includes nine "Essential Requirements for Qualification," a public agency may choose to allow contractors to appeal a disqualification based solely on an answer to a question in Part I.

DIR has devised two different schedules for appeal procedures. One schedule would be used in a system for prequalification for a single project. The sequence of steps in this appeal procedure are scheduled to allow for an appeal decision at least four business days prior to the submission for bids for the single project. The other schedule for an appeal is applicable to a system in which prospective bidders seek prequalification valid for one year, without a link to the bidding on a specific project. These two appeal sequences are described in the explanation to contractors (the two documents referred to in paragraph 5, above).

Each public agency should be certain that it distributes to licensed contractors only the description that is appropriate for the prequalification procedures that are in use.

There are a number of laws and court decisions that affect the nature of an appeal hearing provided by a public agency. Each public agency should consult its own attorneys for advice in this area.

V. APPLICATION OF THE PUBLIC RECORDS ACT

AB 574 provides that "The questionnaires and financial statements shall not be public records and shall not be open to public inspection; however, records of the names of contractors applying for prequalification status shall be public records subject to disclosure" under the Public Records Act. (Section 20101[a]). The model questionnaire forms provided by DIR indicate that the cover page of each questionnaire is a public record, and that all other pages of the questionnaire are not public records.

VI. WHAT ARE THE LAW'S PROVISIONS REGARDING PREQUALIFICATION OF SUBCONTRACTORS?

Public agencies are not required to pre-qualify sub-contractors, nor are public agencies prohibited from doing so. Section 20101(f) says:

Nothing in this section shall preclude the awarding agency from prequalifying or disqualifying a subcontractor. The disqualification by an awarding agency does not disqualify an otherwise prequalified [general] contractor.

FOOTNOTES:

[1] Community College Districts also have specific authority to carry out prequalification procedures, in Public Contract Code section 20651.5, enacted in 1998. Community College Districts may also be covered by AB 574, since they are not specifically exempted.

[2] The documents included in this package can be found at the Department of Industrial Relations web site, <http://www.dir.ca.gov/prequal.htm>.

[3] The explanation included in this document assumes that the prequalification procedure is taking place after the RFP or project announcement is published. A public agency may choose, instead, to have the prequalification procedure start and end prior to the solicitation of bids for the specific project. If that is the case, the public agency would have to modify the document offered here to explain the sequence of events.

[4] **A CAUTIONARY NOTE:** The information that will be given to public agencies by contractors seeking pre-qualification is provided under oath, with the understanding that the intentional providing of false information is, in itself, grounds for disqualification. We expect that the information given should be and will be accepted at face value in most instances. Our list of sources of information available to the public is provided for use in the few instances in which a public agency reviewing the answers given in a questionnaire has specific reason to believe that one or more answers should be verified in this manner.