

**Small Business Gross Annual Receipts Size Standard Update**  
**Frequently Asked Questions (FAQs)** \_ May 2022

The Department of General Services (DGS), Office of Small Business and Disabled Veteran Business Enterprise Services (OSDS) is announcing adjustments to the Small Business size standards based on Gross Annual Receipts (GARs) for the state of California Small Business (SB) certification program.

DGS is required to conduct a biennial review of the three-year average GARs, per Government Code (GC) § 14837(d)(3). This review uses a California Consumer Price Index (CCPI)-based escalation methodology to evaluate the GARs eligibility standards for all small business certification types and determine adjustments to reflect the CCPI changes. The law allows DGS to establish, to the extent necessary, higher or lower standards to reflect unique variations or characteristics of different industries.

**1. What's new in the 2021 Biennial Review?**

In conducting the 2021 biennial review, DGS considered the current economic uncertainty and 40-year high CCPI, as well as input from external stakeholders to adjust GARs size standards for the SB certification types, as follows:

- For SB and Microbusiness (Micro) certification, DGS used a standard CCPI-based methodology resulting in a one-time increase to the SB GARs size standards and no change for Micro.
- For Small Business for the purpose of Public Works (SB-PW) certification, DGS used a standard-CCPI methodology to calculate the adjustment and applied the increase to GARs in annual increments over two years with a subsequent evaluation of the impact of inflation on the CCPI performed after two years.

**2. What are the new certification GARs standards for Micro, SB and SB-PW?**

Certification	2019 GARs <sup>1</sup> Previous	Adjusted GARs Effective May 2022	2023 GARs Effective Jan. 2023
Micro	\$5 Million	\$5 Million	\$5 Million
SB	\$15 Million	\$16 Million	\$16 Million
SB-PW	\$36 Million	\$37 Million	\$38 Million

**3. What is a small business size standard?**

A size standard, which is stated in three-year average GARs and number of employees, represents the largest size that a business (including its affiliates) must be to be eligible for or remain certified by DGS as a small business with the State of California.

**4. What are Gross Annual Receipts (GARs)?**

Per California Code of Regulations, Section 1896.4(m), GARs mean "Total Gross Receipts or Sales" less "Returns and Allowances", as reported on the business' income tax returns, as filed

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<sup>1</sup> 2019 GARs were codified in the Government Code (GC) §14837(d)(3) by Senate Bill 605 (Chapter 673, Statutes of 2019)

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with the federal Internal Revenue Service. The GARs limit is one of the certification eligibility requirements and refers to the applicant's and its affiliates' business income.

**5. How are GARs determined for a business applying for certification?**

To determine if the applicant meets the GARs requirement, DGS OSDS reviews the federal income tax returns for the applicant business and any affiliates. GARs are based on the average amount of a business' income, and that of their affiliates, for the most recent three years or the number of years the firm(s) has been in existence, if less than three years.

**6. Where can I find the SB certification eligibility requirements?**

The SB certification requirements can be found on the OSDS website:  
[SB Certification Eligibility](#).

**7. Will this affect my currently certified small business?**

The increase in GARs will not affect existing certified businesses who already meet the eligibility requirement. Therefore, no action is needed for firms that are certified.

**8. Will this affect my upcoming certification renewal?**

Renewing applicants that were close to or have recently graduated from the program due to their GARs exceeding the former standards, may now qualify for certification.

**9. Why did the Micro GARs remain unchanged?**

The CCPI-based standard methodology used resulted in a less than \$500,000 increase which was rounded to the nearest million. Maintaining the Micro GARs at \$5 million is aligned with the SB/Micro community expectation of the program to stay "true small" as approximately 80% of all non-manufacturing Micro GARs are currently certified at under \$2 million in GARs.

**10. Why does the SB-PW GARs increase again in 2023?**

For 2021 biennial review, DGS adopted a modified approach for the SB-PW size standard assessment. Instead of a large one-time increase, incremental increases will be applied over two (2) years with a close evaluation of CCPI in subsequent years.

If you have any questions regarding small business size standards, contact OSDS at (916) 375-4940, or by email at [OSDSHelp@dgs.ca.gov](mailto:OSDSHelp@dgs.ca.gov) , or visit the [Certification Program webpage](#).