

INITIAL STATEMENT OF REASONS
Small Business and Disabled Veteran Business Enterprise Regulations

Problem Statement:

The California Small Business Program (SB program) was statutorily established in 1973, with the passage of Assembly Bill 1816 (Statutes of 1973, Chapter 1198), an enactment generally known as the “Small Business Procurement and Contract Act.” It is the explicit legislative intent of the program that the state will aid, counsel, assist, and protect the interests of small businesses (SBs) as well as ensure that a fair proportion of total state purchases and contracts are placed with such enterprises. Government Code Sections 14835 - 14847 codified the SB certification program and, consistent with subsequent amendments, set forth the scope and responsibilities of the Department of General Services (DGS) with respect to the promulgation of the program.

The California Disabled Veteran Business Enterprise (DVBE) program is separately authorized and codified in Military and Veterans Code Sections 999 – 999.13. The legislative intent of this program is to require every state procurement authority to meet or exceed an annual percentage target goal for the award of state procurements and contracts to qualifying disabled veteran-owned businesses certified as DVBEs.

With the single exception of contracts for professional bond services, DGS Office of Small Business and DVBE Services (OSDS) is the designated administrative organization for SB and DVBE programs pursuant to Government Code Section 14839 and Military and Veterans Code Section 999.5, subdivision (a), respectively, and is responsible for updating both programs’ regulations.

In accordance with the Administrative Procedure Act (APA), the regulations for the SB and DVBE Programs have been adopted and included in the California Code of Regulations (CCR), Title 2, Division 2, Chapter 3, Subchapters 8, 10.5 and 10.6. Additions, revisions and deletions of certain existing regulation provisions are actions initiated by OSDS and explained in this Initial Statement of Reasons (ISOR).

The proposed amendments and additions to the SB program regulations are necessary to comply with two legislative bills chaptered in 2022, as described below.

Assembly Bill 2019, Chapter 730, Statute of 2022 (AB 2019) amended existing law as follows:

- (1) Government Code Section 14838, subdivision (a) was amended to require state departments and agencies to establish a minimum goal of 25 percent (25%) procurement participation for SBs, including Microbusinesses (Micros), in the provision of goods, information technology, and services to the state, and in the construction of state facilities;
- (2) Government Code Section 14839, subdivision (a)(6) was amended to add minority-owned business, women-owned business, and LGBTQ-owned business to Small Business and Micros when OSDS makes recommendations to state departments to simplify contract specifications and terms to increase opportunities for such businesses;
- (3) Government Code Section 14839, subdivision (a)(9) was added to require DGS

to market the benefits and availability of state Small Business certification to businesses that currently hold a federal certification as a Disadvantaged Business Enterprise (DBE);

(4) Government Code Section 14839, subdivision (a)(10) was added to require DGS to make available the option for an applicant or certified firm to voluntarily identify that the business is at least 51 percent (51%) owned by, and whose management and daily operations are controlled by, one or more individuals who identify as any of the following:

(A) Black (a person having origins in any of the Black racial groups of Africa); Hispanic (a person of Mexican, Puerto Rican, Cuban, Central or South American, or other Spanish or Portuguese culture or origin regardless of race); Native American (an American Indian, Eskimo, Aleut, or Native Hawaiian); Pacific-Asian (a person whose origins are from Japan, China, Taiwan, Korea, Vietnam, Laos, Cambodia, the Philippines, Samoa, Guam, or the United States Trust Territories of the Pacific including North Marianas); Asian-Indian (a person whose origins are from India, Pakistan, or Bangladesh).

(B) A woman.

(C) LGBTQ.

(5) Government Code Section 14840, subdivision (a)(2) was added to require DGS to make available the option for an applicant or certified firm to voluntarily self-identify that the business is at least 51 percent (51%) owned by, and whose management and daily operations are controlled by, one or more individuals who identify as any of the above-mentioned categories;

(6) Government Code Section 14840, subdivision (a)(3) was added to allow DGS, notwithstanding any other law, including Title 1.8 (commencing with Section 1798) of Part 4 of Division 3 of the Civil Code, to publicly display the voluntarily provided information within the firms' certification profiles.

(7) Government Code Section 14843 was amended to require DGS to consider remedial actions to be taken when mandatory reporting agencies fail three out of five years to meet SB participation goals and include the action taken by DGS in the Consolidated Annual Report; and,

(8) Government Code Section 14844 was added to require the department to conduct a statewide procurement and contracting disparity study. The above-mentioned two provisions, (7) and (8), are not addressed in this regulatory package.

To implement, interpret or make specific the provisions of AB 2019, California Code of Regulations, Title 2, Section 1896.4 was amended to add definitions for DBE and Voluntary Self-Identification. The additions are necessary to define and improve clarity on the terms, DBE and DVBE, as they are often confused and used interchangeably. Additionally, California Code of Regulations, Title 2, Section 1896.5 was amended to require state agencies to establish an overall annual minimum goal of twenty-five percent (25%) procurement participation for SBs, including Micros, in the provision of goods, information technology, and services to the state, and for the construction of state facilities.

Assembly Bill 2974, Chapter 600, Statutes of 2022 (AB 2974) amended existing law as follows:

(1) Added Government Code Section 14838.1, subdivision (b) to encourage SB participation in the construction, alteration, demolition, repair or improvement of the state's infrastructure, as provided in the federal Infrastructure Investment and Jobs Act (IIJA) by requiring each state agency awarding new IIJA-funded contracts to do all of the following:

1. Establish a 25 percent (25%) SB participation goal in each new contract over \$500,000 financed, in whole or in part, with the IIJA federal funds and notify their SB advocate, designated pursuant to Government Code Section 14846, of any anticipated contracting opportunities that will be paid, in whole or in part, with IIJA funding during the 12 months following April 1, 2023;

2. Provide information to California SBs regarding training and technical assistance that is available to assist them in identifying, understanding, and bidding on contracts funded through the agency with IIJA funding;

3. Exempt IIJA-funded contracts from the 25% SB requirement if the head of the agency makes one of three determinations:

- (a) Federal requirements preclude small business procurement participation as required by the section,

- (b) The bid issued by the state agency is required to include a DBE participation requirement, or

- (c) In the case of competitively awarded funding from the federal government, if compliance with the requirements of this section would make the state's application for a competitive program less competitive than other eligible applicants.

(2) Added Government Code Section 14838.1, subdivision (e) to specify that funding awarded to the state from the following subtitles, titles, and divisions of the IIJA shall be deemed federal revenues:

- (a) Division A, the Surface Transportation Reauthorization Act of 2021 (23 U.S.C. Sec. 101 et seq.).

- (b) Division B, the Surface Transportation Investment Act of 2021 (49 U.S.C. Sec. 101 et seq.).

- (c) Division E, the Drinking Water and Wastewater Infrastructure Act of 2021 (33 U.S.C. Sec. 1251 et seq.).

- (d) Division F, Broadband (47 U.S.C. Sec. 1701 et seq.).

- (e) Title IX of Division G, the Build America, Buy America Act (41 U.S.C. Sec. 8301 et seq.).

(3) Added Government Code Section 14838.1, subdivision (h) to allow the director of the Department of Transportation or their designee, for purposes of exempting contracts from the requirement of establishing a 25% SB participation goal to make a determination to exempt an entire class or category of contracts from such requirement; and,

(4) Amended Government Code Section 14838.1, subdivision (i) to require each state department awarding IIJA-funded contracts to report annually to DGS the SB and Micro participation dollars, submit an action plan if they did not meet their participation goal for the previous fiscal year, and require exemptions from the SB participation goals be reported to DGS in a manner to be determined by DGS.

To incorporate the provisions of AB 2974, California Code of Regulations, Title 2, Section 1896.5 was amended to update and improve clarity on the SB participation for state agencies to establish the required twenty-five percent (25%) SB goal for each new contract over \$500,000 funded in full or in part with IIJA.

Additional amendments proposed are necessary to comply with Government Code Section 14837, subdivision (d)(3)(B), which requires DGS to conduct biennial reviews of the average gross annual receipts (GAR) eligibility standards and adjust them to reflect changes based on the California Consumer Price Index (CCPI).

DGS amended provisions of the California Code of Regulations Sections 1896.12 and 1896.13 for clarity and to increase the GARs for SB, SB Micros and for Small Business for the purpose of Public Works (SB-PW), pursuant to the latest biennial review conducted in accordance with Government Code Section 14837, subdivision (d)(3). Per the 2023 biennial review conducted by DGS, effective 2024, the Micro GAR eligibility standard was increased from \$5 million to \$6 million, SB GAR eligibility standard was increased from \$16 million to \$18 million, and the SB-PW GAR eligibility standard was increased from \$38 million to \$43 million. The GAR standards resulting from the biennial review are required to be incorporated in the SB regulations in accordance with Government Code Section 14837.

Increasing the GAR eligibility standards to reflect the unprecedentedly high levels of inflation will allow SBs at risk of losing their SB certification to maintain their eligibility and continue to access state contracting opportunities. In October 2023, DGS conducted a survey of certified SBs as a part of the economic impact of the SB/DVBE program research, as well as to inquire about inflationary impacts in 2022 and 2023. The survey was sent to all 18,472 certified firms and DGS received 1,056 responses (or 5.7%). Survey results showed that 71.4% of respondents observed a decrease or no significant change in GAR as a result of the inflation surge, while 28.6% of respondents reported an increase, with 10.8% reporting a GAR increase above 20%.

The increase in GAR eligibility standards for both certifications will ensure the program is keeping pace with market conditions. The increase also mitigates the risk of certified firms, including those that are high-receipt/low-profit margin, exceeding the GAR eligibility standards due to unprecedented inflation. The GAR increase may also allow for a small pool of businesses just above the current GAR limit to become eligible for the benefits of the SB preference in state contracting. As a result, the pool of businesses available for state procurements may be expanded and diversified, and many businesses may be assisted in their recovery and resilience in a continued challenging economic climate.

As authorized by Government Code Section 14839, subdivision (a)(7), OSDS amends existing SB regulations to facilitate the participation of SBs and achieve the overall annual 25 percent (25%) SB participation goal on the total awarded contracts. One of the strategies proposed in the regulations to provide a level playing field for SBs and Micros in state contracting is to allow state agency executive directors or their designees to designate specific types of competitive solicitations above \$250,000 (\$461,000 for public works) and up to \$3,500,000 to be advertised and awarded solely to SBs including Micros as defined in California Code of Regulations Section 1896.4. The designation must be done in writing, may apply to a single solicitation or to any number or types of competitive solicitations, and must be based on findings in accordance with the legislative intent of Government Code Section 14836(b).

The last time a new initiative in SB/DVBE procurement was undertaken was in 2006, when the SB and the DVBE Option procurement methods were statutorily created as a streamlined procurement process allowing agencies to obtain two quotes or more from either two SBs or from two DVBEs, for solicitations greater than \$5,000 but less than \$250,000. Many changes have occurred since 2006, most recently including legislation stemming from COVID pandemic impacts on the smallest and most disadvantaged businesses. The SB/DVBE two-quote method is a streamlined way for SBs to start on state contracting. Departments are encouraged, but not required, to advertise the SB Option contracts.

Designating competitive solicitations to be advertised and awarded solely to SBs and Micros supports legislative mandates provided in AB 1574 to continuously make efforts to expand the pool of SB and Micro bidders, and creates increased opportunities for more businesses to engage and compete for contracts. This can support increased small business growth, job creation, and overall economic impact in their communities. Allowing departments to designate certain contracts to advertise, solicit and award only to SBs and/or Micros can also create a level playing field where SBs and Micros can compete for state dollars, resulting in more equitable and inclusive state procurement. The \$3,500,000 proposed designation limit is derived from data showing state spend analysis and determined to be the space where SBs and Micros are conducting, or have the potential to conduct, most of their business with the state.

Additional minor changes in the SB rules are necessary to add and modify terms, to improve clarity in the application of SB preference and eligibility requirements for domicile and certification status, and to increase the certification term from 24 months to 36 months in California Code of Regulations, Title 2, Sections 1896.8, 1896.12 and 1896.16.

In addition, similar minor changes in the DVBE rules are necessary to add and modify terms, to improve clarity on the eligibility requirements for domicile and certification

status, and to increase the certification term from 24 months to 36 months in California Code of Regulations, Title 2, Section 1896.81(a)(6) and 1896.84(a) (1-3).

Evidence Supporting No Significant Adverse Economic Impact on Business/Economic Impact Analysis-Assessment:

To complete the economic impact assessment for the rulemaking process, Government Code Section 11346.3, subdivision (b)(4)(B) defines “small business” as independently owned and operated, not dominant in its field of operation, and with fewer than 100 employees, which is broader than the small business definition for certification in Government Code Section 14837, which includes all these elements plus a cap for the GAR. The SBs subject to the economic impact assessment resulting from the proposed SB regulatory amendments to increase the GAR standard are currently certified SBs at risk of graduating from the program and businesses new to the program that would now meet all the SB eligibility criteria for the program. The GAR is \$18 million for SB; \$43 million for SB-PW; and \$6 million for Micro.

Based on the biennial review, it was shown that given the majority (or 84%) of the current pool of certified SBs in the database are Micro with GAR up to \$5 million, far from getting close to or exceeding the \$16 million GAR eligibility standard for SB certification, DGS makes the determination that the proposed rule changes will not have a significant adverse economic impact on businesses overall.

The changes to the SB and DVBE regulations that modify the certification status term from 24 months to 36 months, clarify certification requirements for domicile, introduce the Micro abbreviation for Microbusiness, and define Voluntary Self-Identification and Disadvantaged Business Enterprise terms will not have a significant economic impact as they are designed to clarify, strengthen and enhance specificity of existing provisions in the regulations. To propose allowing departments to designate specific contracts to be advertised and awarded solely to SBs is meant to level the playing field for the smaller set of businesses that otherwise will not be able to compete against larger bidders.

Incorporating AB 2019 and AB 2974 that codified the SB participation goal will assist with increasing inclusiveness and diversity in state contracting and potentially benefiting the smaller, underutilized businesses.

The benefits gained by the state for awarding contracts to SBs are associated with economic recovery. Hence, these rules are far more likely to benefit qualifying SBs and maintain continuity of their business opportunities in the way the Legislature intended.

The adoption of the amendments will achieve the legislative intent of Government Code Section 14836, to:

- Protect SBs from economic hardship and reduce the possibility of existing SBs surpassing the current GAR eligibility standards and being denied access to state contracting.
- Enable continued access to economic opportunities for certified SBs.
- Prevent disruption in existing SB procurement opportunities for state departments.
- Promote fairness in competition and a level playing field for SBs competing for state contracting dollars.
- Promote diversity and inclusion in state procurement through the incorporation of recent legislation.

These amendments are vital to a program meant to help SBs recover from economic downturns and expand opportunities for securing state contracts.

The Creation or Elimination of Jobs within the State of California:

The proposed amendments to the SB and DVBE regulations will not have a significant impact on job creation/elimination, but rather maintain stability as the amendments promote fairness, diversity, and a level playing field within the existing pool of certified SBs. Increasing the GARs threshold is strategic in preventing the disqualification or graduation of firms from the SB program following receipt of one or two large contracts. This measure is expected to benefit around 8 SB-PWs with GARs exceeding \$35 million and 42 SBs with GARs over \$15 million, ensuring their continued eligibility and support within the SB program framework.

At an average of no more than \$38,000 per state contract with SB participation, jobs will be maintained rather than gained or eliminated due to the number of SBs able to participate in the state's program.¹

The Creation of New Businesses or the Elimination of Existing Businesses within the State of California:

Given the fact that applicants for state certification are required to be already established SBs, these rules have a minimal impact on the creation of new businesses and will not discourage or eliminate existing California businesses.

The Expansion of Businesses Currently Doing Business within the State of California: Increases in the California Price Index and inflation impacted SBs in general. The amendment proposed in the SB regulations will support recovery and stability for the impacted businesses. For example, the SB GAR increase will prevent approximately 42 SBs from losing their certifications, allowing them to maintain opportunities in a high-inflation climate. The revised regulations will also help expand public contract participation for SBs that currently provide products and services under public-sector contracts and will help them survive in this economic climate. The increase in GARs will invite a limited number of new businesses into the state's program that were not able to qualify before. Broadening the eligibility criteria could

¹ See 2021-22 Consolidated Annual Report available at [File Consolidated Annual Report for State Contracting \(ca.gov\)](https://www.sos.ca.gov/Files/ConsolidatedAnnualReportforStateContracting)

result in attracting a wider array of businesses eligible for SB certification, potentially supporting the diversification of the SB bidder pool and the achievement of the state's overall 25 percent (25%) participation goal. This expansion benefits state departments by encouraging a greater number of SB suppliers for procurements, thereby fostering competition among the suppliers and boosting economic efficiency.

The proposed language allowing departments to designate specific contracts to be advertised and awarded solely to SBs and incorporating the two new legislative bills will have an unquantifiable benefit of promoting fairness, competition and a level playing field in state contracting rather than creating opportunities for business expansion.

Benefits of the Regulations to the Health and Welfare of California Residents, Worker Safety, and the State's Environment:

The anticipated benefits are that stakeholders will have updated regulations regarding the increase in GAR eligibility standards for the SB certification program and SBs that are close to or will exceed the existing GAR standards are afforded uninterrupted certification and benefits from state contracting. Additional changes to the regulations were made to define terms (Disadvantaged Business Enterprise, Voluntary Self-Identification and Micro), clarify the certification eligibility requirements (GAR increase, domicile, and increase of certification status term from 24 to 36 months) to increase procurement opportunities for small businesses, and incorporate passed legislation (AB 2019 and AB 2974). Even though these changes will have no apparent benefit on the health and welfare of California residents, worker safety and the state's environment, they will reduce subjective interpretation of explicit law, promote transparency, mitigate risk, help with economic recovery, and reduce unnecessary costs associated with OSDS program administration. Overall, this will create a positive improvement in the welfare of all those SBs currently involved in and seeking contracting opportunities with the state and other local governmental entities.

Technical, Theoretical, and/or Empirical Study, Reports, or Documents:

In proposing amendments, DGS, as directed by Government Code Section 14837, subdivision (d)(3), relied upon the California Consumer Price Index (CCPI) as the source of data and considered identified alternatives for its 2023 Biennial Escalation Review of the California Certified Small Business Gross Annual Receipts study. The 2021-22 Consolidated Annual Report and certification data extracted from the Financial Information System for California (FI\$Cal) also supported the proposed amendments.

Miscellaneous Disclosure Regarding the Proposed Action:

There are no reimbursable costs to any local agency or school district in accordance with Government Code Sections 17500 to 17630. Any costs incurred are permitted to be unreimbursed in accordance with Section 6, Article XIII B of the California Constitution [see specifically, Section 5, Chapter 673, Statutes of 2017].

Alternatives Determination Statement under Government Code Section 11346.5, subdivision (a)(13):

DGS concludes that no reasonable alternative considered by the agency, including those proposed during Government Code Section 11346, subdivision (b) and Government Code Section 11346.45, subdivision (a) opportunities, would be more effective than the proposed amendments in carrying out the purpose for which the amendments are proposed; would be as effective and less burdensome to affected private persons; would be more cost-effective to affected private persons; or would be equally effective in implementing the statutory policy or other provision of law.

The SB and DVBE certification programs were created specifically for the benefit of California-domiciled small and disabled veteran businesses and there is no evidence of legislative preference for a program alternative.

Savings in dramatically reducing or eliminating the program would place at risk the long-standing benefits specific and readily available to SBs in California. The established program can afford real and concrete measures of economic stability in communities throughout the state.

The proposed changes – all citing sections and subsections of the California Code of Regulations, Title 2, unless otherwise provided, and the specific purpose of each, are as follows:

In the accompanying text, underline indicates “to be adopted” and ~~striketrough~~ indicates “to be deleted” or repositioned rules. In some cases, numerical strikeouts may be difficult to discern if they overlie horizontal lines in the number or letter.

Existing Article 1 Heading and Sections 1896 through 1896.2 will not change.

Subsections 1896.4(a)-(h) will not change.

Subsection 1896.4(l) will be amended for clarity and consistency with text insertions, deletions, corrections in syntax, and cited statute. This section also added the reference to the definition in Title 40 Code of Federal Regulations Part 23 of the term Disadvantaged Business Enterprise (DBE) to support the Government Code Section 14839, subdivision (a)(10) requirement for OSDs to market the benefits and availability of state small business certification to businesses that currently hold a federal certification as a DBE. The addition of the definition is necessary to avoid confusion with the term DVBE that is often erroneously used interchangeably. The definition of DBE is not a California certification and is not defined in any California law.

Current subsections 1896.4 (l) and (m)(n)(o)(p) were moved with unchanged text.

Subsection 1896.4 (q) will be amended for clarity and consistency with text insertion of (Micro) to shorten the word Microbusiness.

Current subsections 1896.4 (r)(s)(t)(u)(v)(w)(x)(y)(z) were moved with unchanged text.

Subsection 1896.4(aa) will be adopted for clarity and consistency with text insertion and cited statute. In order to guide businesses in voluntarily providing self-identifying information during the application registration, this section defined the term “Voluntary Self-Identification” to comply with Government Code Sections 14838 and 14839 requiring OSDs to make available the option for an applicant or certified business to voluntarily identify that the business is at least 51 percent (51%) owned by, and whose management and daily operations are controlled by, one or more individuals who identify with the categories contained in the law. The voluntary information collected and displayed by OSDs will include the self-identification of any certified firm or applicant that is also identifying as a DBE or has other non-state certifications and will not impact SB/DVBE certification eligibility requirements.

Existing Article 2 Heading will not change.

Section 1896.5 will be amended for clarity and consistency with text insertion and cited statute. State departments refer to the California Code of Regulations for advice on the requirements of the SB program. To instruct departments correctly on participation goal attainment, the regulations need to make the statutory requirements more explicit or specific. Previously, the 25 percent (25%) SB participation goal was established in Executive Order S-02-06. The participation goal is now codified through the passing of two Assembly bills. Assembly Bill 2019 (Statutes of 2022, Chapter 730) amended Government Code Section 14838, subdivision (a) to require state departments to establish a minimum goal of 25 percent (25%) procurement participation for SBs, including Micros, in the provision of goods, information technology, and services to the state, and in the construction of state facilities. Assembly Bill 2974 (Statutes of 2022, Chapter 600) amended Government Code Section 14838.1 to require each state agency awarding new contracts over five hundred thousand dollars (\$500,000) that are financed, in whole or in part, with IIJA funds to establish a 25 percent (25%) SB goal, and added other requirements as described in the above section of this ISOR. Both SB participation goals have been inserted into the regulations in new section (a). New section (b) was necessary to propose allowing departments to designate specific contracts to be advertised and awarded solely to SBs. New section (b) will be limited to the specific dollar thresholds and requirements, and it is meant to level the playing field for the SBs that otherwise encounter challenges in competing against larger businesses. Additional changes on section (a) replaced by the numerical formatting to (2) and removed existing sentence to reference the 25% participation goal and added language to Section (a), changed goal to requirements. Modified formatting by adding (A) to existing language, changing numerical to Roman numeral formatting, and capitalizing b-e.

Existing Article 2 Heading will not change.

Section 1898.8 will be amended for clarity and consistency with text insertions, deletions, corrections in syntax, and replacing the numerical formatting to Roman numerals.

Section 1896.8(g) will be adopted to clarify that a solicitation-specific SB participation requirement set as allowed in California Code of Regulations, Title 2, Section 1896.5, does not constitute minimum requirements as used in Government Code Section 14838 for the calculation of a SB or non-SB bid preference.

Existing Article 2 Heading and Sections 1896.6, 1896.7, 1896.9 and 1896.10 will not change.

Existing Article 3 Heading: Small Business Eligibility, Certification Process and Responsibilities will not change.

Section 1896.12 heading will not change.

Subsections 1896.12(a), (b) and (d) will be amended for clarity and consistency with text insertions, deletions, corrections in syntax, and cited statute. The word “may” was changed to “shall” because OSDS will review the businesses tax returns and organizational structure, including business affiliations, to determine certification eligibility. The gross annual receipts (GAR) eligibility standard amount in 2024 for SBs increased from fifteen million (\$15,000,000) to eighteen million dollars (\$18,000,000) and the Micro GAR eligibility standard was increased from five million (\$5,000,000) to six million (\$6,000,000), per the 2023 biennial review to meet statutory requirements in Government Code Section 14837, subdivision (d)(3) and (d)(4). To clarify the domicile requirement, the order of documents needed has been rearranged and an updated list of domicile supporting documents are now required in the SB and DVBE certification process. This process will also allow a written statement, declared under penalty of perjury, that the individual(s) intend to be domiciled in California.

Subsections 1896.12 (c), (e) through (i) will not change.

Subsection 1896.4 (j) will be adopted for clarity and consistency with text insertion and cited statute. In order to conduct a biennial review by DGS to meet statutory requirements in Government Code Section 14837, subdivision (d)(3) of the GAR standard sizes and adjust it accordingly to reflect changes in the California Consumer Price Index as reported by the Department of Industrial Relations.

Section 1896.13 Heading will not change.

Section 1896.13 will be amended for clarity and consistency with text insertions, deletions, corrections in syntax, and cited statute. In 2024, the SB-PW GAR eligibility standard was increased from thirty-six million (\$36,000,000) to forty-three million

dollars (\$43,000,000) per the 2023 biennial review to meet statutory requirements in Government Code Section 14837, subdivision (d)(3). This section will also be amended to add an “s” to GAR and will add subsection (b) to clarify new additions due to biennial review.

Section 1896.14 through 1896.15 section will not change.

Current Article 3 Heading: Certified Status will not change.

Section 1896.16 (a)(b)(c) will not change.

Subsections 1896.16(d) will be amended for clarity and consistency with text insertions, deletions, corrections in syntax, and cited statute. This section will also change the certification term from 24 months to 36 months, which will give certified businesses more time to fulfill contractual obligations; give certified SBs the opportunity to bid on available, longer-term contracts; help SBs be more marketable; and will allow SBs additional time for internal application review due to the high volume of expedited application review requests, which causes a backlog. Sections (e)(1)(2)(f) through (i) will not change.

CALIFORNIA CODE OF REGULATIONS

TITLE 2. Administration

Division 2. Financial Operations

Chapter 3. Department of General Services

Subchapter 10.5 Disabled Veteran Business Enterprise Participation Goal
Program for State Contracts

Existing Article 1 Heading and Sections 1896.60 through 1896.68 will not change.

Existing Article 2 Heading and Sections 1896.70 through 1896.78 will not change.

Existing Article 3 Heading and Sections 1896.80, 1896.82 through 1896.88 will not change.

Section 1896.81 Heading and Subsections 1896.81(b) through 1896.81(d) will not change.

Section 1896.81 will be amended for clarity and consistency with text insertions to include subsection (a)(6) mirroring Section 1896.12(d)(4) in the SB regulations. One of the major eligibility requirements for DVBE certification is domicile in California for disabled veteran owners and/or managers of the firm. Because this creates issues for veterans who often move for military services, the DVBE regulations now include a list of domicile supporting documents, such as the individual’s California state tax returns filed as a resident of California. In cases where the individual has not yet filed a tax

return in California, OSDS will allow as additional documentation a written statement, declared under penalty of perjury, that the disabled veteran owners and/or managers of the firm intend to be domiciled in California.

Section 1896.82 through 1896.83 will not change.

Section 1896.84 (a) will not change.

Section 1896.84 (b) (1 through 4) will be amended for clarity and consistency with text insertions, deletions, corrections in syntax, and cited statute. This section will increase the certification term for DVBE from 24 months to 36 months. This will give certified DVBEs more time to fulfill contractual obligations, give certified DVBEs the opportunity to bid on available longer-term contracts, help DVBEs be more marketable, and allow DVBEs additional time for internal application review due to the high volume of expedited application review requests, which causes a backlog. Sections (c) through (g)(3) will not change.

Section 1896.85 through 1896.97 will not change.

Existing Article 4 Heading and Sections 1896.90 through 1896.94 will not change.

Existing Article 5 Heading and Sections 1896.95 through 1896.97 will not change.

CALIFORNIA CODE OF REGULATIONS

TITLE 2. Administration

Division 2. Financial Operations

Chapter 3. Department of General Services

Subchapter 10.6 DVBE Incentive Program

Sections 1896.99.100 through 1896.99.120 will not change.