

INITIAL STATEMENT OF REASONS (ISOR)
Small Business and Disabled Veteran Business Enterprise Regulations

Problem Statement

The California Small Business (SB) Certification 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.” Explicit legislative intent with respect to the purpose of the program is that the state will aid, counsel, assist and protect the interests of small business as well as ensure that a fair proportion of the total purchases and state contracts are placed with such enterprises. Government Code (Gov. Code) Sections 14835 – 14843 codified the 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 (MVC) Sections 999 – 999.13. The legislative intent is to require every state procurement authority to meet or exceed an annual percentage target goal for the award of procurement contracts to qualifying disabled veterans.

With the single exception of contracts for professional bond services, DGS is the designated administrative organization for SB and DVBE Programs pursuant to Government Code Section 14839 and Military and Veterans Code Section 999.5(a), respectively. Under current departmental structure, the Office of Small Business and DVBE Services (OSDS) is the DGS organizational subunit responsible for SB and DVBE Programs administration and oversight, excluding the actual awarding of contracts.

In accordance with the regulatory adoption requirements of the Administrative Procedure Act (APA), rules promulgating 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 provisions of these existing rules is the action initiated by OSDS and explained in this ISOR.

The proposed amendments and additions make necessary changes to and improve the SB Program. The changes include the adoption of California Code of Regulations, Title 2, Section 1896.5 to allow state departments to set contract-specific SB participation goals per Government Code Sections 14836 and 14838, along with the necessary clarity and guidance on how state departments can set such goals and how bidders can meet the qualifications for these procurements. The provision for contract-specific goals is voluntary. State departments that choose to use this option may do so to support achieving or increasing their overall SB participation goals.

Government Code Section 1896.5 also incorporates SB-related provisions of the new legislation from Assembly Bill 1574 (Chapter 756, Statutes of 2021) (AB 1574), requiring state departments to make continuous efforts to expand the number of small businesses and microbusinesses in state contracting by searching for and identifying

those businesses that have not contracted with the state or do not regularly contract with the state. This includes the businesses listed in state solicitations in accordance with Government Code Section 14838(f).

Amendments to California Code of Regulations, Title 2, Section 1896.14 with the Request for Small Business, Small Business for the Purpose of Public Works, and/or Disabled Veteran Business Enterprise Certification (Application) (Revised 09-2019) are incorporated by reference.

Changes to California Code of Regulations, Title 2, Section 1896.15 were made to incorporate provisions of AB 1574 requiring prime contractors to submit a certification signed under penalty of perjury that the work performed by certified subcontractors is Commercially Useful Function (CUF) compliant. Additionally, changes to California Code of Regulations, Title 2, Sections 1896.18 and 1896.20 were made to indicate OSDS will be the responsible party to enforce actions against businesses violating SB and/or DVBE statutes. OSDS will also be responsible for prescribing rules for investigations and reporting program fraud. The above-mentioned SB rule changes are in accordance with APA.

The primary reason for the changes in DVBE Program regulations stems from four DVBE-related chaptered bills codified over the past two years, as follows:

- Assembly Bill 230, Chapter 676, Statutes of 2019 (AB 230): (1) Added a new provision, Public Contract Code (PCC) Section 10230, for every contract subject to DVBE participation, requiring the prime contractor to comply with rules, regulations, ordinances, and statutes that apply to the California DVBE Program; (2) Amended existing law, Military and Veterans Code Section 999.5(c), to require awarding departments to verify that a DVBE participating on a contract is certified at the time of contract; (3) Amended existing law, Military and Veterans Code Section 999.5(d), to mandate awarding departments, upon completion of an awarded contract, to require the prime contractor that entered into a contract with DVBE subcontractors to certify the actual percentage and amount of DVBE participation achieved, that all payments under the contract have been made to the DVBE subcontractors and, upon request by an awarding department, the prime contractor provide proof of payments made for the DVBE work; (4) Amended existing law, Military and Veterans Code Section 999.5(f), to require prime contractors being awarded a contract to use the DVBE subcontractor proposed in the bid unless the prime contractor submits a written request for substitution approved by both the awarding department and Department of General Services prior to the commencement of any work by a DVBE subcontractor other than one proposed on the bid or previously approved by OSDS.
- Assembly Bill 1365, Chapter 689, Statutes of 2019 (AB 1365): (1) Added a new provision, Military and Veterans Code Section 999.55, to require state departments to maintain all information provided by prime contractors pursuant to

Military and Veterans Code Section 999.5(d), and retain those records for a minimum of six years; and (2) Direct the state departments to establish appropriate review procedures for those records to ensure the accuracy and completeness of the award amounts and paid amounts reported.

- Senate Bill 588, Chapter 80, Statutes of 2020 (SB 588): (1) Added a new provision, Military and Veterans Code Section 999.7, to require state departments to withhold \$10,000 from the final payment, or the full payment if less than \$10,000, on contracts until the prime contractor complies with the certification requirements of Military and Veterans Code Section 999.5(d) by certifying that they paid all DVBE subcontractors as committed, and require state departments to give notice to prime contractors that fail to comply with these certification requirements. The prime contractor has 15 to 30 calendar days from date of notice to cure the defect or the withheld amount is permanently deducted; (2) Prohibit a state department from withholding more than the required withholding amount on the final payment of any contract for the purpose of ensuring compliance with the certification requirements of Subdivision (d) of Section 999.5.
- Assembly Bill 1574, Chapter 756, Statutes of 2021 (AB 1574) which, among other things: (1) Amended an existing law in Military and Veterans Code Section 999.9, to allow any city attorney, county attorney or county counsel, or district attorney to bring a civil action for the alleged violations against Military and Veterans Code Section 999.9(a)(6) and in the event that both DGS and the attorney general (or a local prosecutor) take enforcement action for the same violation, the civil penalty can only be applied once; (2) Amended an existing law in Military and Veterans Code Section 999.10 to require the California DVBE certification number and contact information be included in the general conditions of bids; and the submission of a certification signed under penalty of perjury that the work performed by each certified DVBE subcontractor is a commercially useful function; (3) Amended an existing law to require awarding departments to report all alleged violations of Government Code Section 14842.5 to DGS and in the event that both DGS and the attorney general (or a local prosecutor) take enforcement action for the same violation, the civil penalty can only be applied once. In addition, the bill amended Government Code Sections 4532 – 4535.2, known as the Small and Minority Business Procurement and Assistance Division – Target Area Contract Preference Act, which is not included in this regulatory package.

The implementation of the aforementioned statutes necessitated revisions to existing DVBE rules, and specifically, in California Code of Regulations, Title 2, Sections 1896.71, 1896.73, 1896.77, and 1896.78, incorporating by reference the Prime Contractor's Certification – DVBE Subcontractor Report (STD 817) (Rev. 10/2021).

With the exception of the four aforementioned DVBE-related bills, all other changes to the DVBE Program rules are non-substantial, absent regulatory effect or withdrawal of

previous rules; ensure the SB and DVBE rules remain current and consistent with each other; repeal provisions that are inconsistent with statute; reflect new program expectations recently set forth in law; and improve clarity by adjusting authority and reference citations, changing or adding terms and correcting syntax, cross-references, grammar and punctuation. Rule additions, in this instance, are as specifically allowed by program officials, so long as they “implement, interpret or make specific” the provisions in accordance with the APA. In some instances, the amended regulations duplicate California statute where the statute is cited as “authority” or “reference” for the proposed regulation and where the duplication or overlap is necessary to satisfy the “clarity” standard.

Evidence Supporting No Significant Adverse Economic Impact on

Business/Economic Impact Analysis-Assessment: The small business rule adoptions contained within this proposal are necessary to maintain clarity and consistency between the two program rules (SB and DVBE), where applicable. They offer similar headings, structure, and formatting to allow interested businesses or the public to examine each program with transparency.

For the purpose of conducting the economic impact assessment during the rulemaking process, the definition of small business is set forth in Government Code Section 11346.3(b)(4)(B). In general, the SB program rules are applicable only to a subset of DVBEs that are also certified as small businesses with three-year average gross annual receipts up to \$15 million, as defined in the Government Code Section 14837(d).

Otherwise, DVBEs do not meet the small business definition set forth in Government Code Section 11346.3(b)(4)(B), because DVBEs are not limited to 100 or fewer employees and are not required to be California-based.

The department has made an initial determination that the proposed rule changes will not have a significant adverse economic impact on businesses overall. Potentially there is a small impact on certified small businesses defined in Government Code Section 14837, if they do business directly with the state and subcontract with DVBEs but do not comply with the new laws. In fiscal year 2019-20, slightly more than 1,700 SBs conducted business with the state and had DVBE subcontractors, representing only a third of all the certified SBs doing business with the state. There will be no impact on the businesses if they follow the legal requirement. Only those who fail to follow the legal requirement will be subject to the statutory penalties.

It is commonly believed that the economic engine of the state is driven by small businesses, which account for over 90% of all employer businesses. Except during the two previous years due to the pandemic-related emergency procurements, the state consistently met the SB participation goal. The new SB program rules include the adoption of California Code of Regulations, Title 2, Section 1896.5, allowing state departments the ability to set SB participation goals on specific contracts to help increase the SB participation in state procurement.

The related DVBE chaptered bills will strengthen existing DVBE participation requirements for prime contractors that do business with the state and commit to use DVBE subcontractors. One potential negative impact may be that noncompliant small business prime contractors' risk having the full amount of a contract of \$10,000 or less withheld or permanently deducted from contract payments if they do not have the ability to pay their DVBE subcontractors before getting paid by the state. According to small business primes contractors, they rely on the final payment to pay their subcontractors. In the fiscal year 2019-20, the state awarded 300 purchase orders at or below \$10,000 to certified Small business prime contractors subcontracting with DVBEs. Purchase orders of \$10,000 or less are the most common and consistent transactions between small business prime contractors and DVBE subcontractors. This represents the majority of work subcontracted to DVBEs, and they will be impacted the most by this change in statute. Thus, liberally assuming that none of these prime contractors paid their DVBE subcontractors before receiving final payment from departments, the financial impact to small business prime contractors can reach \$3,000,000 ($\$10,000 \times 300 = \$3,000,000$).

The benefits gained by the state for awarding contracts to SBs and DVBEs have been directly associated with economic recovery or growth in their communities. Hence, insofar as these rules further such business opportunities in the manner legislatively intended, SBs and DVBEs are far more likely to be beneficial than adverse for those certified businesses obliged to comply.

- ***The Creation or Elimination of Jobs within the State of California:*** These rules are expected to promote SB participation and strengthen the DVBE program sanction requirements and could potentially create and eliminate jobs. The impact on the creation or elimination of jobs in California is unclear or has yet to be quantified by an independent source. Whether the regulation revision would have an impact on staffing levels depends on a variety of factors unrelated to the adoption.
- ***The Creation of New Businesses or the Elimination of Existing Businesses within the State of California:*** The value added by the state through awarding contracts to SBs and DVBEs is increasingly positive, potentially expanding earnings and indirect business taxes. The new economic activities generated by the state through contracting with SBs and DVBEs are not foreseen, as rule improvements are designed toward compliance with existing SBs and DVBEs. Small businesses account for more than 90% of all employer businesses, driving the state's economic engine. These rules are not expected to discourage or eliminate existing California businesses. The impact on business creation or elimination is also minimal. The regulations have no direct bearing on whether a business establishes or continues its existence within the state.
- ***The Expansion of Businesses Currently Doing Business within the State of California:*** A wide variety of jobs and occupations integral to the services and products that may be secured or acquired under public sector contracts stand to benefit from the strengthening of this program with the added DVBE statutory

provisions. The state creates more value by awarding contracts to SBs and DVBEs and helps businesses with economic recovery.

- ***Benefits of the Regulations to the Health and Welfare of California Residents, Worker Safety, and the State's Environment:*** The state's economic sustainability is essentially dependent upon (as indicated by the Legislature's adopted findings and declarations) the capacity of SBs and DVBEs to thrive. The anticipated benefits are that stakeholders have updated regulations regarding certification programs, which provides continued uniformity in assessing applications for certification. It reduces subjective interpretation of law, promotes transparency, and should reduce unnecessary costs associated with OSDS program administration. This is a positive improvement in the welfare of all those SBs and DVBEs seeking contracting opportunities with the state and other local governmental entities. Therefore, as the Legislature intended, these rules do and will continue to afford SBs and DVBEs an important opportunity to participate in the free enterprise.

Stakeholder Pre-Notice Preview Opportunities:

Key stakeholder individuals and organizations were afforded a preview of the present regulatory text, prior to commencement of the public comment phase. In addition, DGS consulted with the California Department of Veterans Affairs in the development of these changes as required by Military and Veterans Code Section 999.5(a).

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

In proposing amendments, the DGS has not relied upon technical studies.

Miscellaneous Disclosure Regarding the Proposed Action:

Cost to any local agency or school district that must be reimbursed in accordance with Government Code Sections 17500 – 17630: No reimbursement is required inasmuch as the only costs incurred are because the definition of an existing crime has been expanded, and the costs of such enactments are permitted to be unreimbursed within the meaning of 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(a)(13):

The DGS concludes that no reasonable alternative considered by the agency, including those posed during Government Code Section 11346(b) and Government Code Section 11346.45(a) opportunities would be more effective in carrying out the purpose for which the regulation is proposed; nor would such alternative be as effective and less burdensome to affected private persons than the adopted regulation, or would it be more cost-effective to affected private persons and equally effective in implementing the statutory policy or other provision of law.

- SB and DVBE certification in state contracting is a repeatedly endorsed program 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. Likewise, executive branch support for preferential SB and DVBE contracting has remained constant over time, from a budgetary standpoint.

- Savings in dramatically reducing or eliminating the program would place at risk the longstanding benefits specific and readily available to Californians. The established program affords real and concrete measures of economic equilibrium and 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 ~~strikethrough~~, “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.

CALIFORNIA CODE OF REGULATIONS

TITLE 2. Administration

Division 2. Financial Operations

Chapter 3. Department of General Services

Subchapter 8. Office of Small Business Procurement and Contracts

Existing Article 1 Heading: General Provisions, and Section 1896 will not change.

Existing Section 1896.2 will be amended with text insertions and deletions to properly link to cited statute and to explain the collection of data for various analyses for clarity and consistency.

Subsections in 1896.4 will be amended with 17 existing entries revised, including one added, while the balance of existing definitions will be unchanged with the exception of changes in enumeration and updates to the authority and reference sections to remove the volumes and chapters related to the State Contracting Manual that is concurrently being revised and is depicted in the text.

Subsection 1896.4(a) will be amended with text insertions, deletions, and proper linking to cited regulation for clarity.

Subsection 1896.4(b) will be amended with text insertions, deletions, and proper linking to cited statute for clarity.

Subsections 1896.4(c) through (j) will not change.

Subsection 1896.4(k) will be amended with text insertions, deletions, and proper linking to cited statute for clarity.

Subsection 1896.4(l) will be amended with text insertions, deletions, correction to remove italic lettering, and the addition of the definition of discontinuance, which is necessary to maintain consistency between Sections 1896.17 and 1896.62. This addition clarifies the administrative action that takes place when a certified business no longer meets the eligibility requirements to continue its certified status. Deleted content is being relocated to redesignated subsection (m).

Subsections 1896.4 (l), (m) and (n) will be moved, and their enumeration will be changed to (m), (n) and (o), respectively, with no changes in existing verbiage.

Subsection 1896.4(o) will be moved, its enumeration will be changed to (p) with text insertions, deletions, and proper linking to cited statute to simplify the microbusiness definition and clarify it as a designation, a subset of SB and not a standalone certification, obtainable when statutory requirements are met. Also, these text changes are necessary to maintain consistency with the simple format of small business and small business for the purpose of public works definitions. The deleted text can be found in Subsection 1896.12(b)(1).

Subsections 1896.4 (p) and (q) will be moved, and their enumeration will be changed to (q) and (r), respectively, with no changes in existing verbiage.

Subsection 1896.4(r) will be moved, and its enumeration will be changed to (s) with text insertions, deletions, grammatical corrections and adoption of additional verbiage on the street address and physical location of the principal office that closely aligns to the regulation in Section 1896.12 and cannot be satisfied by using post office boxes and private mailboxes as they are used for the purpose of simplifying mail distribution, not as a substitution for the headquarters of a business where the business conducts its management and directs business operations. The addition of this language is needed to satisfy the statutory requirements for SB certification, to clarify and help prevent interpretations contrary to the intent of the statute and maintain consistency with the revision made to Subsection 1896.62(t) within DVBE rules.

Subsection 1896.4(s) will be moved, and its enumeration will be changed to (t) with text insertions, deletions, and grammatical corrections to clarify and simplify existing verbiage. Also, these text changes are necessary to maintain consistency with the State Contracting Manual revisions taking place concurrently with this regulation revise.

Subsection 1896.4(t) will be moved, and its enumeration will be changed to (u) with text insertions, deletions, punctuation, grammatical corrections, proper linking to cited statute and regulation to clarify verbiage and limit confusion when speaking generally about small businesses, as those certified as small business for the purpose of public works are considered a small business.

Subsection 1896.4(u) will be moved, and its enumeration will be changed to (v) with text insertions, deletions, correction in grammar and proper linking to cited statute and regulation for clarity.

Subsection 1896.4(v) will be moved, and its enumeration will be changed to (w) with text insertions, deletions, and grammatical corrections to clarify that the definition will be in the State Contracting Manual, but not in the previously stated chapter as the manual will be revised by the publication date of these regulations.

Subsection 1896.4(w) will be moved, and its enumeration will be changed to (x) with text insertion, deletions, and proper linking to cited statute for clarity.

Subsection 1896.4(x) will be moved, and its enumeration will be changed to (y) with no changes in existing verbiage.

Article 2 Heading will be amended to read Small Business Participation and Preferences.

Existing heading text is amended to include an adopted subsection on SB participation similar to DVBE Section 1896.70 (Participation Goals) for consistency and to obtain clarity regarding the similarities and differences between the preference and incentive benefits of the two programs. Government Code (Gov. Code) Sections 14835 – 14847 encompass the Small Business Procurement and Contract Act and state the Legislature’s declared policies regarding small businesses and microbusinesses. In accordance with Government Code Section 14836, *“The Legislature hereby declares that it [...] is [...] essential that opportunity is provided for full participation in our free enterprise system by small business enterprises. Further, it is the declared policy of the Legislature that the state should aid, counsel, assist, and protect, to the maximum extent possible, the interests of small business concerns, including microbusiness, in order to preserve free competitive enterprise and to ensure that fair proportion of the total purchases and contracts or subcontracts for property and services for the state be placed with these enterprises.”*

Government Code Section 14838 specifically states that each department shall: *“establish goals, consistent with those established by the Office of Small Business and Disabled Veteran Business Enterprise Services, for the extent of participation of small businesses [. . .].”* The inclusion of this statute identifies the Legislature’s intent to promote the establishment of small business participation goals for every department within the state.

Furthermore, Government Code Section 14839, Subdivision (a)(7) states *“[The duties of the OSDS shall include]: Developing, by regulation, other programs and practices that are reasonably necessary to aid and protect the interest of small businesses, microbusinesses, and disabled veteran business enterprises in contracting with the state [. . .].”* By no means is the OSDS trying to establish a new mandated SB participation goal, but instead it supports the goals already authorized by statutes and

set in place, by providing departments with a regulatory framework to allow them to set contract-specific participation requirements based on established goals if they elect to do so.

In support of the Small Business Procurement and Contract Act, Governor Schwarzenegger issued Executive Order S-02-06 on March 29, 2006. The Executive Order established, among other things, a 25% SB participation goal in state contracts: “[E]ach agency secretary, department director, and executive officer shall ensure that the state’s procurement and contracting processes are administered in order to meet or exceed the 25% SB participation goal. . .”

The adopted new rule Section 1896.5 upholds and endorses the Legislature’s intent by helping small businesses to understand the requirements established for state contracting and potentially increasing the number of businesses becoming certified, thus enhancing competition overall and increasing the state’s flow of contract dollars to its intended audience as Government Code 14838(f) requires.

Section 1896.5 will be adopted in accordance with clarity and consistency principles. The newly proposed text for Section 1896.5 (titled “Small Business Participation Goals”), has a similar format to Section 1896.70 (DVBE Participation Goals) and is tied to the existing Section 1896.15 provisions on the determination of commercially useful function. The new section will assist state departments as well as SBs with state contracting procedures and will be consistent with revisions to the State Contracting Manual. This addition will ensure OSDS compliance with the duties described in Government Code Section 14839(a). The additional verbiage with a paraphrased excerpt from Government Code Section 14836(b), on the Legislature’s declaration and intent for the state to procure goods and services with small businesses and microbusinesses, explicitly sets the tone for the section as the lead in sentence, for clarity, as does the concluding sentence from Government Code Section 14841.

The newly constructed section organizes in a clear fashion a consolidation of components necessary for a department’s assessment on whether to claim the small business preference on contracts and to annually report as required by Public Contract Code Section 10111(e)(7). The additions remind the department’s highest ranking executive or designee of their ability to set contract-specific participation requirements in line with the goal in Governor Schwarzenegger’s Executive Order S-02-06; list four determining factors for setting appropriate SB participation levels as well as the qualification of a responsive bidder when SB participation is required; establish when achievement of commitment to the SB participation requirement is satisfied for commercially useful function and when the conditions for joint bid are met; and describe the responsibilities of the bidder’s authorized representative.

Furthermore, departments are reminded of their statutory responsibility to continuously search and find small businesses and microbusinesses, especially those that have not contracted with the state or do not contract on a regular basis with the state, and list them in solicitations. This is necessary to meet the Legislature’s intent and strengthen

requirements for state departments to expand the number of small businesses that can provide goods and/or services to the state in accordance with Government Code Section 14838(f).

To satisfy the necessity standard, this new adoption provides an important guidance to state departments in applying SB requirements to help with achieving their overall SB participation goals already existing in state department practices supported by current regulations. The amendments to the regulations will explain and provide much-needed clarity on what the statutes authorize but do not explicitly describe. This addition will ensure some level of consistency from departments and with the small business community. Also, a new authority and reference note must be adopted in support of the new rule, in accordance with the authority and reference standards of APA.

Section 1896.6 heading will not change.

Subsection 1896.6(a) will be amended for clarity with text insertions and deletions, rearrangement of wording and proper linking to cited regulations, to acknowledge certification application accessibility and that submission online includes date and time stamps to ensure applicants meet the bid solicitation due date. This does not change the basic principles – permitting a business to claim and be eligible for the 5% small business preference so long as they submit a completed application to OSDS by 11:59 p.m. on the date bids are due. Paragraphs (2) and (3) will not change.

Subsection 1896.6, subdivision (b) will be amended with text insertions, deletions, rearrangement of wording and proper linking to cited regulation for clarity.

Section 1896.8 will not change.

Section 1896.10 heading will not change.

Subsection 1896.10(a)(3) will be amended with text insertion, deletion, and proper linking to cited regulation in paragraph (3) for clarity. Paragraphs (1) and (2) will not change.

Subsection 1896.10(b) will not change.

Subsection 1896.10(c) will be amended with text insertions, deletions, grammatical corrections, and proper linking to cited statute for clarity.

Subsection 1896.10(d) will not change.

Subsection 1896.10(e) will be amended with text insertions, deletions, grammatical corrections, and proper linking to cited statutes and regulations for clarity.

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

Subsection 1896.12 heading will not change.

Subsection 1896.12(a) will be amended with text insertions, deletions, corrections in punctuation and grammar to remove an apostrophe from “it’s” in paragraph (2), proper linking to cited statute, the number 100 written and placed in parentheses and “s” added to GAR in paragraph (5) for clarity. Paragraphs (1), (3) and (4) will not change.

Subsection 1896.12(b) will be amended for clarity with text insertions, deletions, proper linking to cited statute, an “S” added to GAR and the numerical number 25 spelled out with parentheses around it.

Subsection 1896.12(c) will not change.

Subsection 1896.12(d)(1) will not change.

Subsection 1896.12(d)(2) will be amended with text insertions, deletions, grammatical corrections, and proper linking to cited statute for clarity.

Subsection 1896.12(d)(3) will be amended with text insertions and deletions, grammar corrections, punctuation with rearrangement of wording, proper linking to cited statute, for clarity in verbiage and to distinguish that both factors must be true in order for a business to be determined a manufacturer. Subparagraph (B) will not change.

Subsection 1896.12(d)(4) will be amended with text insertions and clarifying verbiage to explain that the existing documentation mentioned in (A) through (F) is used in OSDS’ assessment of evidence to meet the statutory requirements for domicile and are now labeled as “factors.”

Subsection 1896.12(d)(5) will be amended with text insertions, deletions, punctuation rewording and proper linking to cited statute to clarify the statutory principal office location requirements for small business certification (“may” replacing “shall”), adds flexibility to what may be considered “factors” of evidence in the review of the address and physical location of the principal office and stays consistent with newly repositioned Subsection 1896.4(s).

Subsection 1896.12(d)(6) will be amended with text insertions and deletions with rearrangement of wording, proper linking to cited statute and punctuation to clarify the “factors” assessed by OSDS to meet the statutory requirements of affiliation for small business and microbusiness eligibility.

Subsection 1896.12(d)(6)(B) will be amended with text insertions, punctuation, grammatical corrections, and adoption of clause (3) for consistency and clarity as to the exclusion of nonprofit benefit corporations that as statutorily defined (Gov. Code § 927.2, Subd. [e]) do not conform to the small business eligibility requirements cited in this subsection, but are solely for the purpose of compliance with prompt payment and

are not eligible for preferences of for-profit small businesses. Clauses (1) and (2) will not change.

Subsection 1896.12(d)(6)(C) will not change.

Subsection 1896.12(d)(7) will be amended with text insertions and deletions, corrections in punctuation for greater clarity and reduction of ambiguity of the statutory requirement for independently owned and operated by removing “an outside source,” to expand and define the specific types of sources “one or more individuals and/or business entities,” making it consistent with OSDS’ administrative assessment of “control” in Section 1896.4(i) as it pertains to the ownership and management of the whole business as described in Subsection 1896.12(a)(3). The necessity derives from out-of-state businesses known to designate individuals domiciled in California as officers to become certification eligible, which is clearly not what the law intends.

Subsection 1896.12(d)(8) will be amended to simplify verbiage by grammatical corrections, punctuation, text deletions of the symbol § and addition of the word “section” and “subdivision,” deletion of the words “kind of” in front of business activity to signify its singularity and text insertion of the word “and” before the last criterion listed for consideration used to determine the statutory requirements of dominance in its field of operation for clarity.

Subsection 1896.12(e) will be amended for clarity and to specify with text insertions that retain the original intent of the rule and permit the consideration of information submitted, provided, or collected by OSDS from various sources, including previous certification submissions from other applicants with respect to cross-referencing for affiliation, to verify the gross annual receipts and employee numbers are within specified statutory limits for an applicant to meet small business certification eligibility. Sometimes businesses that are not eligible for certification apply to obtain such certification and fail to disclose information that would render them ineligible, such as affiliation, while the affiliate may disclose the relationship in their own certification application. The certification database housing the information and documentation is called the Financial Information System for California (FI\$Cal). Applicants submit information through FI\$Cal’s customer-facing portal called Cal eProcure. Partial wording was derived from DVBE rules Subsection 1896.82(e)(1), which is also being revised, for consistency.

Subsection 1896.12(f) will be amended with adopted text insertions and deletions necessary to provide guidance and clarity for which a small business is responsible, and certification eligibility is contingent upon its ability to lawfully conduct business within the state in order to ensure all obligations due to the state are fulfilled. Deleted content will be repositioned to (g).

Subsection 1896.12(g) is content redesignated from existing (f) and will be amended with text insertions to clarify the need to facilitate and promote the certification process to local agencies and the general public. Deleted content will be repositioned to (h).

Subsection 1896.12(h) will be adopted with content repositioned from existing (g) with text insertions, deletions, and proper linking to cited statute for clarity.

Subsection 1896.12(i) will be adopted with adopted text insertions to clarify applicant's need to keep consistent with the applicant responsibilities and apply for certification in the manner cited in Section 1896.14 for certification consideration.

Section 1896.13 heading will not change.

Subsection 1896.13 will be amended with text insertions, deletions, and grammatical corrections to clarify the written words and parentheses around the numerical number 200, an "s" added to GAR and proper linking of cited statute and revised regulation.

Section 1896.14 heading will not change.

Subsection 1896.14(a) will be amended for clarity and consistency with text insertions, deletions and grammatical corrections addressing the revised name and form number on the Request for Small Business, Small Business for the Purpose of Public Works and/or & DVBE Disabled Veteran Business Enterprise Certification (Application) (Rev. 09/2019) as incorporated by reference, also known as request for certification and certification request, respectively, and proper linking to cited regulations for eligibility requirements. The revision of the application also entails a new web address on the DGS document server http://www.documents.dgs.ca.gov/dgs/fmc/gq/pd/pd_812.pdf for form accessibility. A sentence was added to instruct those without means to certify online by computer to submit the paper application. New application and revised documents are included after proposed text.

Subsection 1896.14(b) will be amended with text insertions and deletions, rearrangement of wording and punctuation needed to specify the responsibilities of the businesses applying for certification. OSDS must be notified in a timely fashion when changes occur to critical information needed to satisfy statutory eligibility requirements (GARs, domicile, principal office, and ownership) and contact information for notifications (contact person name, telephone number and email address). Textual changes were made for clarity and consistency.

Subsection 1896.14(c) will not change.

Subsection 1896.14(d) will be amended with text deletion of "certified" and "small," insertions of "the," "application" and "process" to maintain consistency with the section and clarify these rules are for those seeking certification. This existing rule was mistakenly left behind and should have been moved to Section 1896.16 Certified Status during the last revision.

Section 1896.14(e) will be adopted with new text insertions for clarity and to specify the applicant has the flexibility during the certification determination process to withdraw their submitted application for certification.

Section 1896.15 heading will not change. Reference and authority notes will be updated to remove the volumes and chapters associated with the State Contracting Manual, as it is concurrently being revised and the information listed will be obsolete.

Subsections 1896.15 (a) through (c) will not change.

Subsection 1896.15(d) will be amended with text insertions and deletions to replace the specific volumes and chapters associated with the State Contracting Manual as it is concurrently being revised and the information listed will be obsolete. Insertion of text specifying the procurement file contains all signed documents certified under penalty of perjury that the work performed by each subcontractor is Commercially Useful Function (CUF) compliant in accordance with Military and Veterans Code Section 999.10, Subdivision (a)(3) and Government Code Section 14837, Subdivision (d)(4). Textual changes were made for clarity because several SBs are also certified as DVBEs and to maintain consistency with newly revised DVBE Subsection 1896.71(d)(3).

Subsection 1896.15(e) will be amended with text insertions, deletions, and proper linking to cited regulation for clarity.

Section 1896.16 heading will not change.

Subsection 1896.16(a) and (b) will not change.

Subsection 1896.16(c) will be amended with text insertions, deletions, rearrangement of wording and grammatical corrections to clean up sentence structure, strengthen need for notification to OSDS of any changes in ownership, operation, or eligibility requirements, and to add proper linking to cited regulation for clarity and consistency.

Subsection 1896.16(d) will be amended with text insertions and deletions, punctuation, grammatical corrections, repositions and rearrangement of wording within sentences and proper linking to cited regulation for the purpose of adding clarity to the existing language on the length of time a certification is issued without changes to the existing rule. Applicants are given a 24-month certification during which they will need to reapply in accordance with Section 1896.14 to maintain a certified status. Some content repositioned to Subsection 1896.16(e).

Subsection 1896.16(e) will be amended with some content repositioned from revised Subsection 1896.16(d) slightly reworded with text insertions and deletions for improved clarity on the administrative process for applicants applying for certification 90 calendar days prior to the expiration of their current certification. The 90-day time frame is a Financial Information System for California (FI\$Cal) online system constraints that will not allow the data entry of application information prior to that 90-day time frame.

Consistency is maintained with the administrative process outlined in Section 1896.14 and the verbiage and formatting of Subsection 1896.84(d) to reduce confusion and prevention of additional staff workload to hold and store applications received early. Deleted subdivision content repositioned to Subsection 1896.16(f).

Subsection 1896.16(f) was repositioned from current Subsection 1896.16(e) with text insertions deletions and proper linking to cited regulation for clarity.

Subsection 1896.16(g) was repositioned from current Subsection 1896.16(f) with text insertions and deletions and proper linking to cited regulations to clarify and to keep consistent with the subsection as certified businesses must respond to requests for information to support and maintain certification eligibility within a specified time frame. Section 1896.13, small business for the purpose of public works certification, is also subject to verification of eligibility.

New Subsection 1896.16(h) will be adopted with text insertion and punctuation to clarify certified businesses, not just those seeking certification, could withdraw their current certification altogether until the needed support documentation is available for submission to maintain the certification status. This option is provided as an alternative to certification discontinuance by OSDS.

New Subsection 1896.16(i) will be adopted with text insertion to clarify certified businesses are responsible for maintaining the licenses, permits, and registrations that support certification status and is consistent with Subsection 1896.84(h) DVBE rules. This rule expands on the existing rule in Subsections 1896.14(b) (changes to operations and ownership) and 1896.14(d) (maintenance of licenses), emphasizing the importance of keeping current on all licenses, permits and the like to maintain certification as well as to obtain and retain participation on state contracts.

Section 1896.17 heading will be amended to read, Denied, Discontinued or Revoked Certification and the Imposition of Sanctions, to add clarity to the newly adopted subdivision on denial factors and maintain consistency within the section. The new additions simplify the requirements and locates them all in one section, so they are easier to find and understand. Also, reference notes section was updated.

New Subsection 1896.17(a) will be amended with new text insertions and deletions to clarify and to add consistency and proper content sequencing to a consolidated list of the specific reasons certification requests will be denied, with mention to the applicable appeal section. Simply stated, the reasons include: (1) a business that does not meet eligibility requirements or does not respond to requests from OSDS for additional information by the date and time specified, (2) the request for certification and supporting documents and any additional information provided for clarification and/or correction do not meet the eligibility requirements, (3) any application submitted by the principals of a business (new or existing) formed, financed or affiliated with a business suspended from contracting with the state, or whose certifications have been revoked, in accordance with Government Code Sections 14842, 14842.5 and/or Military and

Veterans Code Section 999 et seq., and (4) when there is not an active status with the California Secretary of State or Contractors State License Board, when legally required. The California Secretary of State and Consumer Affairs' Contractors State License Board are two agencies OSDS uses to verify active business statuses that are necessary to legally do business in California. This revision maintains consistency with the subchapter and DVBE rules Sections 1896.83. Deleted content repositioned to Subsection 1896.17(b).

Existing Subsection 1896.17(b) was repositioned from current Subsection 1896.17(a) with text insertions, deletions, and proper linking to cited regulations for clarity. Deleted content repositioned to Subsection 1896.17(d).

New Subsection 1896.17(c) will be amended with new text insertions and deletions with proper content sequencing to clarify and mirror revised DVBE rules Subsection 1896.85 (b). To make explicit, when the business corrects applicable and specifically identified insufficiencies to the satisfaction of OSDS, a restoration for the remaining period of certification occurs. Maintains consistency with newly adopted discontinuance definition in Subsection 1896.4(l). Deleted content repositioned to Subsection 1896.17(e).

Subsections 1896.17(d), (e), (f) and (g) were repositioned from existing (b), (c), (d) and (e) with new text insertions, deletions to correct syntax, punctuation, rearrangement of wording, proper linking to cited statute and regulation for clarity.

Existing Subsection 1896.17(g) will be moved to Section 1896.18.

Existing Subsection 1896.17(h) will be amended with content renumbered and repositioned from existing 1896.17(f) and new text insertions, deletions, and proper linking to cited regulation for clarity. Deleted content from Subsection 1896.17(h) repositioned to Subsection 1896.17(i).

New Subsection 1896.17(i) will be adopted with text insertions and deletions, correction of syntax, addition of the word "action" and rearrangement of wording and punctuation to clarify OSDS will notify the business of any decisive action regarding certification and provide information on restoring the certification or appealing the decisions made by OSDS.

Article 4 will be amended with text deletions and insertions including a new heading (Enforcement.) and repositioned content from Section 1896.17(g) for the purpose of clarity and consistency to mirror existing content structure and formatting of Article 4 in DVBE regulation. Although SB and DVBE regulations differ, they have similarities regarding sanctions, enforcement, reporting requirements and investigations and OSDS' administrative processes. The addition of the Enforcement and Investigations and Reporting Requirements sections will further the program's goal of certification consistency and provide simplicity and better understanding for state procurement officials and businesses utilizing the program benefits and preferences. Future revisions

of rules will continue the consolidation of the enforcement and sanctions sections underneath this article.

Section 1896.18 will be amended with new text insertions, text deletions, a new heading (Enforcement.), proper linking to cited statute and authority and reference notes added to clarify, add consistency, and mirror sentence format and structure in DVBE regulation Section 1896.90. Small business rules are consolidated, transparent and specifically point out that OSDS will be the responsible party to enforce actions against businesses violating small business and/or DVBE statutes, resulting in certification denial, revocation, suspension, imposition of monetary penalties and/or cost recovery to the state with respect to the Administrative Procedure Act necessity principle. OSDS actions of revocation and suspension are outlined; suspension is defined; a notice will be provided with the reasons for the sanction, the affected parties, the appeal process and if any referral to the Attorney General's office is submitted. As the law allows, not only certified businesses violate statute, but prime contractors and supplier businesses that obtained contracts with the state and declared to subcontract a portion to a certified small business and/or DVBE also commit violations.

Section 1896.20 will be amended with new text insertions, deletions, a new heading (Investigations and Reporting Requirements) including content repositioned from existing Subsection 1896.17, Subdivision (g) into newly adopted Subdivisions (a) through (c). Amendments also include proper linking to cited statute and added authority and reference notes. Improvements to this section were made for clarity and to harmonize and ensure consistency with DVBE regulation Section 1896.91 and newly adopted Subdivision (e)(2)(A) of Government Code Section 14842. This DVBE regulatory section specifies who can conduct investigations, and describes the reporting and submission requirements and OSDS' responsibility to acknowledge within three business days of receipt of the small business and/or the DVBE program violation allegations. Deleted content is repositioned to adopted Section 1896.24.

Article 5 will be adopted with the same heading, punctuation and grammatical corrections of content repositioned from existing Article 4 Appeals, Sections 1896.18 and 1896.20 for consistency with appeal content placement mirroring Article 5 in DVBE rules. Existing content from Sections 1896.18 and 1896.20 deleted and repositioned to 1896.22 and newly adopted 1896.24, and existing Section 1896.22 content repositioned to newly adopted 1896.26.

Section 1896.22 will be amended with content repositioned from existing Section 1896.18 including the heading (Appeal of Certification Denial, Discontinuance, or the Imposition of Sanctions.), text insertions, deletions, grammatical corrections, and proper linking to cited statute, which specifies and clarifies a business's "due process" rights. Businesses seeking certification and denied for nonresponse in Subdivision (a) do not have grounds for an appeal based on the rejection reasons specified in newly repositioned and revised (f)(1), as OSDS is not able to determine eligibility requirements have been met without the proper substantiating documentation. In Subdivision (b), applicant submissions of written appeals with detailed statements of fact to support

grounds appeals in Subdivision (c) need to be signed and dated prior to being submitted to OSDS. In the case of (e) late submissions of information that may change the certification decision, appeals shall be treated as a new request for certification. Subdivision (f) clarifies rejection of appeals. Subdivision (g) obliges OSDS to forward all other appeals that are not rejected to the Administrative Law Judge (ALJ) for resolution. Consistency is maintained within the subsection and with DVBE rules Section 1896.95(e)(3). Deleted content will be repositioned to newly adopted Section 1896.26.

Section 1896.24 will be adopted with amended content repositioned from existing Section 1896.20 including the heading (Appeal Hearings.), text insertions, deletions, and proper linking to cited statute for clarity.

Section 1896.26 is adopted with amended content repositioned from existing Section 1896.22 including the heading (Appeal Decisions.), text insertions, deletions, proper linking to cited statute and adjustments to reference notes for clarity and to make specific the timing of when OSDS will adopt and make final the decision by the ALJ to uphold or deny an appeal with or without the imposition of sanctions according to Government Code Section 11519(a), will be five days from the date of service to OSDS, unless the ALJ order specifically states otherwise, for purposes of clarity. Consistency is maintained with Section 1896.97 in DVBE rules.

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: General Provisions will not change.

Section 1896.60 will be amended with text insertions and deletions to update reference notes for clarity and consistency with the subchapter.

Section 1896.61 will be amended with text insertions and deletions to properly link to cited statute and add to the reference note section for clarity and consistency with the subchapter.

Existing Section 1896.62 will be amended by textual adjustment to 12 existing entries while the balance of existing definitions will be unchanged, for proper linking to statute and regulation and adjustments to reference notes for clarity and consistency.

Subsection 1896.62 (a) will be amended with text insertion, deletion, and proper linking to cited statute for clarity.

Subsection 1896.62(b) will not change.

Subsection 1896.62(c) will be amended with text insertion, deletion, and proper linking to cited statute for clarity.

Subsection 1896.62(d) through (g) will not change.

Subsection 1896.62(h) will be amended with text insertion, deletion, and proper linking to cited statute for clarity.

Subsection 1896.62(i) will not change.

Subsection 1896.62(j) will be amended with text insertion, deletion, and proper linking to cited statute for clarity.

Subsection 1896.62(k) will not change.

Subsection 1896.62(l) will be amended with text insertions and deletions, and rearrangement of wording for proper grammar and syntax related to percentages in written form for clarity.

Subsection 1896.62(m) will be amended with text insertion, deletion, and proper linking to cited statute for clarity.

Subsection 1896.62 (n) will be amended with text insertion, deletion, and proper linking to cited regulation for clarity.

Subsection 1896.62(o) will be amended with text insertions and deletions, and rearrangement of wording for proper grammar and syntax related to percentages in written form for clarity.

Subsection 1896.62(p) will be amended with text insertion, deletion, and proper linking to cited statute for clarity.

Subsection 1896.62(q) will not change.

Subsection 1896.62(r) will be amended with text insertion, deletion, and proper linking to cited statute for clarity.

Subsection 1896.62(s) will not change.

Subsection 1896.62(t) will be amended with text insertions and deletions, punctuation, for proper linking to cited statute and to clarify and maintain consistency with newly revised Subsection 1896.4(s), stating that the address needed to satisfy the principal office (home office) statutory requirement is the physical street address where the business is headquartered, conducts management and directs business operations, none of which is conducted from a mailing center, post office box or private mailbox used for the purpose of simplifying internal mail distribution.

Subsection 1896.62(u) will not change.

Subsection 1896.62(v) will be amended with text insertion, deletion, and proper linking to cited statute for clarity.

Existing Article 2 Heading: DVBE Participation in State Contracting will not change.

Section 1896.70 will be amended with text insertions and deletions to include formatting, grammatical corrections, percentages written in numerical format with parentheses, proper linking to cited statute, reference note updates and for the purpose of clarification and correction of a past presumption that the highest ranking executive with signatory authorization for each state agency, department, commission, or board is titled the director.

Section 1896.71 heading will not change. Adjustments made to the reference note sections to include statute additions from passed legislation.

Subsections 1896.71(a) through (c) will not change.

Subsection 1896.71(d) will be amended with text insertions and deletions, proper linking to regulation and the State Contracting Manual revisions taking place at the same time as the regulation update. Inclusion of text from newly adopted Military and Veterans Code Section 999.10(a)(3) is needed to specify the procurement file contains all signed documents certified under penalty of perjury that the work performed by each certified subcontractor is Commercially Useful Function (CUF) compliant. Textual changes were made for clarity.

Subsection 1896.71(e) will be amended with text insertion, deletion, and proper linking to cited regulation for clarity.

Section 1896.72 will be amended with text insertions, deletions, grammatical corrections, proper linking to cited statute and updates to the reference note section for clarity.

Section 1896.73 heading will not change. Additions will be made to the reference notes section.

Subsection 1896.73(a) will be amended with text insertions, deletions, and additions to the reference notes to incorporate a critical, but missing, piece in current procurement practice: the approval for DVBE subcontractor substitutions in writing is needed prior to the commencement of work by the new DVBE subcontractor, as adopted into statute by Assembly Bill 230 (Chapter 676, Statutes of 2019) and specified in this regulation revise. The repetition of authority within the rule adds clarity and strengthens OSDs' role against DVBE program abuse.

Subsection 1896.73(b) through (f)(2) will not change.

Subsection 1896.73(f)(3) will be amended with text insertions, deletions, and proper linking to cited regulation for clarity.

Subsections 1896.73(f)(3)(A) through (f)(3)(E) will not change.

Subsection 1896.73(g) and (g)(5) will be amended with text insertions, deletions, grammatical corrections, and proper linking to cited statute for clarity and consistency.

Subsections (g)(1) through (g)(4), (g)(6) and (g)(7) will not change.

Subsection 1896.73(h) will not change.

Subsection 1896.73(i) will be amended with text insertions, deletions, grammatical corrections for simplification and proper linking to cited statute for clarity.

Section 1896.74 heading will not change. Text insertions, deletions, proper linking of cited statute and reference notes changes for clarity.

Section 1896.75 heading will not change. Text insertions, deletions, proper linking of cited statute, grammatical corrections, added “DV” (disabled veteran) in front of managers, displays of written percentages with parentheses and reference notes changes for clarity.

Section 1896.76 heading will not change. Text insertions and deletions to reference notes for clarity.

Section 1896.77 will be amended with text insertions, deletions, repositioned content, grammatical corrections, and reference note adjustments to clarify and maintain consistency with newly incorporated AB 1365 (Chapter 689, Statutes of 2019). The text changes will allow state departments to verify proof of payments made to DVBE subcontractors when assessing the performance of a contract, which is essential to contract administration, and adjust their DVBE record retention year requirements from three to six years.

Section 1896.78 heading will not change. Audits of the Disabled Veteran Business Enterprise Program in 2013 and 2019 by the California State Auditor concluded that many awarding departments did a poor job of obtaining and maintaining records of DVBE subcontractor certifications as required by Military and Veterans Code Section 999.5(d). Additionally, prime contractors played a role by simply not submitting the required DVBE subcontractor certifications at all. The previous laws did not provide an incentive for awarding departments or primes to comply with the requirements. The following laws implemented in Chapter 80, Statutes of 2020 (Senate Bill 588), Chapter 689, Statutes of 2019 (Assembly Bill 1365), and Chapter 676, Statutes of 2019

(Assembly Bill 230) closed these gaps. To provide state agencies and departments with the support, guidance, and specific actions/procedures to adhere to the statewide statutory requirements regarding the use of participation by DVBE subcontractors, duplication and paraphrasing of the statutes in these rules is necessary for clarity purposes. The clear and concise language will prevent conflicting interpretations of the law that do not align with its legislative intent. This equally allows the business community to clearly understand the policies will be consistent throughout all state agencies and departments. These changes necessitated additions to the reference notes section as well.

Subsection 1896.78(a) through (c) will be amended with text insertions, deletions, punctuation, grammatical corrections, the addition of the words “DVBE participation” and proper linking to cited statute for clarity and consistency.

Subsection 1896.78(d) will be amended with text insertions, deletions, and proper linking to cited statutes. For clarity, it was necessary to cite the newly incorporated text from AB 230 (Chapter 676, Statutes of 2019) to specify awarding departments shall not count DVBE participation for a DVBE firm that is not certified at the time of award or does not meet and maintain the certification requirements. Previously this rule was assumed, but not stated plainly, causing inconsistency in compliance.

Subsection 1896.78(e) will be amended with text insertions and deletions, punctuation, grammatical corrections, rearrangement of wording and proper linking to cited statute to clarify the required information for prime contractors to report DVBE subcontracting commitments has been updated with the passing of Assembly Bill 230 (Chapter 676, Statutes of 2019) and must be directly incorporated in the regulations to continue to provide the proper guidance to prime contractors and procurement officials, and can be found in the DVBE regulations related to DVBE subcontractor participation and reporting requirements. The new statutory requirements regarding these certifications are: (1) include the contract number on the contracts with DVBE subcontractor participation, (2) specify the percentage of work per contract committed to DVBE subcontractor(s) and the total amount of monies paid to the DVBE(s) by the prime contractor, and (3) prime contractors must submit proof of payments made to DVBE subcontractors if requested by the awarding department.

The most recent form since 2016, DGS form Prime Contractor’s DVBE Subcontracting Report (DGS PD 810) (Rev. 10/2019), provided in the State Contracting Manual, is under revision and will be repealed and replaced by the Prime Contractor’s Certification – DVBE Subcontractor Report (STD 817) (Rev. 10/2021), incorporated by reference in contracts, to include the new statutory requirements for prime contractors to submit their DVBE subcontractor commitment certifications to awarding departments. This form will also assist awarding departments as they complete the DVBE participation goal reporting requirements as cited in Public Contract Code Section 10111. Deleted content of Subdivision (e) repositioned to Subsection 1896.78(f).

Subsection 1896.78(f) will be adopted with text additions and deletions, repositioning and rearrangement of wording from Subsection 1896.78(e)(5), Assembly Bill 230 (Chapter 676, Statutes of 2019), adopted AB 1365 (Chapter 689, Statutes of 2019) and revised language from the State Contracting Manual (includes the replacement of the word “awarding” with “state”) which is being concurrently revised, to explain to state departments the need for (1) review procedures to verify the accuracy of the reported amounts versus actual amounts paid and certified by prime contractors on DVBE subcontractor contracts, and (2) the six-year retention period to maintain those records for consistency and clarity purposes.

Subsection 1896.78(g) will be adopted with new text insertions needed to implement, support, and maintain consistency with recently passed legislation that added Military and Veterans Code Section 999.7 (SB 588, Chapter 80, Statutes of 2020). For clarity purposes, duplication of the law is necessary to ensure there are no misunderstandings in the requirements by the business community (prime contractors doing business with the state and DVBEs) and state departments. Departments shall withhold on a contract with DVBE subcontractor participation \$10,000 from the final payment or the entire payment, if less than \$10,000, from a prime contractor that has not submitted the DVBE certification requirements found in Military and Veterans Code Section 999.5(d). Upon refusal to submit certifications and after written notice from the awarding department to comply, a permanent deduction takes place. For clarity, “state department” is used to demonstrate a distinction between departments that create contracts on behalf of other departments and the specific departments that manage these contracts and have the responsibility for giving notice, requesting all requirements including those for certified firms be fulfilled, monitoring the overall contract, and collecting the new DVBE certification withhold or permanent deduction on final contract payments. This language is consistent with the revisions being made to the State Contracting Manual.

Subsection 1896.78(h) will be adopted with text insertions from newly adopted Chapter 80, Statutes of 2020 (Senate Bill 588) for clarity and consistency and to indicate that additional administrative procedural guidance will be provided in the State Contracting Manual for procurement officials when using an alternative mechanism to capture the prime contractor’s DVBE subcontractor certification requirements specifically for statewide contracts awarded by multiple state departments. Statewide contracts are a procurement vehicle used to leverage a department’s buying power and reduce the need for individual departments to conduct repetitive bids for the same products.

Subsection 1896.78(i) will be adopted with text insertions and rearrangement of wording from newly adopted AB 1365 (Chapter 689, Statutes of 2019) and from revised language being added to the State Contracting Manual to explain to state departments the need for (1) review procedures to verify the accuracy of the reported amounts versus actual amounts paid by prime contractors on DVBE subcontractor contracts, and (2) the six-year retention period to maintain those records for consistency and clarity purposes.

Existing Article 3 Heading: DVBE Certification will not change.

In this article, the common rules are shared among different section titles. The disabled veteran community is heavily invested in reading the regulations and statutes as they pertain to DVBE certification and, in DGS' experience, will insist that if a rule is not written in specific sections, it does not apply. So, duplication of many rules is necessary to clarify and specify what is required of businesses seeking certification and of those that are certified.

Section 1896.80 will be amended with text insertions, deletions, and grammatical corrections to keep consistent with the same application revisions made in small business rules Section 1896.14, concerning the process for businesses seeking certification.

Section 1896.81 heading will not change. The improvements within this section will remove obsolete content, correct grammar, punctuation, and displays of percentages, and will strengthen and make specific the rules regarding ownership and specify what is required during OSDS' assessment of this eligibility requirement, while keeping consistent with the applicable statutes.

Subsection 1896.81(a) will be amended with text insertions and deletions, proper linking to statute, presentation of percentages and corrections in grammar to clarify the specifics of the statutory location requirement of the qualifying disabled veteran (DV) by adding the present-tense word "be," correcting the misinterpretation and specifying that the qualifying DV satisfying the service-connected disability requirement to prove ownership of the business does not need to be the same qualifying DV managing the firm, which maintains consistency with legislative intent.

Subsection 1896.81(b) and (b)(1) will be amended with text insertions, deletions, grammatical corrections and reformatting the display of written percentages with parentheses to clarify that for DVBE certification the substantiating information or documentation submitted to meet the statutory 51% ownership requirement by a DV for sole proprietorships cannot include formal or informal restrictions limiting DVs' control of the business. This rule remains consistent within this section when assessing evidence of ownership. Historically, certified DVBE sole proprietorships are husband-and-wife businesses and usually do not have written agreements delineating ownership percentages.

Subsection 1896.81(b)(2) will be amended with text insertions and deletions, for clarity in displaying written percentages with parentheses.

Section 1896.81(b)(3) will be amended with text insertions, deletions, and written display of percentages with parentheses, rearrangement of wording to maintain consistency within the subdivision regarding proof of DV ownership and to clarify that a determining criterion for OSDS' assessment of the statutory ownership requirement for DVBE Limited Liability Companies is a review of the governing document, according to Corporations Code Section 17701.10, called the Operating Agreement. The Operating

Agreement needs to reflect the ownership percentages of all members, managers and/or officers of the business, and any formal or informal restrictions on voting rights, powers, and control over the business. This maintains consistency within Subdivision (b).

Section 1896.81(b)(4) will be amended with text insertions, deletions, and grammatical corrections for clarity in displaying written percentages with parentheses.

Section 1896.81(b)(5) will be amended with text insertions, deletions, and grammatical corrections for clarity in displaying written percentages and to convey for DVBE certification that the statutory ownership requirement for to be wholly owned (100% of the voting stock) by a DV or DVBE does not change for Limited Liability Companies that are considered subsidiaries and want to become certified DVBEs as allowed by statute. Since LLCs are the only business structure with differing rules of ownership (Public Contract Code Section 10115.9), and there continues to be confusion within the DV community, more explanation is necessary regarding this business structure and certification.

Subsection 1896.81(b)(6) will be amended with text insertions and deletions, to maintain consistency within the subdivision on DV ownership verification to clarify and correct obsolete and impractical restrictions that a living trust must be revocable or that the DV(s) must be the sole grantor(s) and trustee(s), which has proven to hinder DVs and DV businesses from becoming certified. Historically, living trusts submitted to satisfy the ownership criterion for DVBE certification consideration are created and owned by a husband and wife to leave assets to their children upon death. Sometimes the DV(s) but more often non-DVs are designated as trustees with special protective provisions while the DV(s) are still alive, and either the husband or the wife meets the statutory requirement of DV – hence the need to remove excess barriers and direct the rule toward making the DV's ownership of the trust or business applying for certification – if all documentation is consistent with ownership in a trust – reflect at least 51%, be specifically expressed in the trust document and/or in the additional documents that make up the living trust package.

Subsection 1896.81(b)(7) will be amended with text insertions and deletions for clarity on DV ownership under an employee stock plan and in displaying written percentages with parentheses.

Subsection 1896.81(b)(8) will not change.

Subsection 1896.81(b)(9) will be amended with text insertions and deletions for clarity in displaying written percentages with parentheses, and to remove outdated content regarding DV entitlement of retained earnings documentation because it is not evaluated for the statutory ownership requirement during the certification eligibility review, as the DV is required to receive at least 51% of all profits. As a result, there is no need to continue to distinguish between the types of profits and maintain this inclusion in the current rules.

Subsection 1896.81(c)(1) and (c)(2) will not change.

Subsection 1896.81(c)(3)(A) will not change.

Subsection 1896.81(c)(3)(B) will be amended with new text insertions and deletions to clarify a critical factor assessed by OSDS for certification eligibility of control and management of a business held by the DV or DVBE. It is common for businesses to submit documentation – particularly licenses – revealing inconsistencies with positions held by DV(s) and especially the highest officer position held by DV(s), requiring correction or clarification.

Subsection 1896.81(c)(3)(C) will be amended with text insertions and deletions to clarify that the DV's unexercised rights to make a change in the management of the business will be indicated in the DV's control of the board of directors and in corporate documentation.

Subsection 1896.81(c)(4) and (c)(5) will not change.

Subsection 1896.81(c)(6)(A) will be amended with text insertions and deletions for clarity in displaying written percentages with parentheses.

Subsection 1896.81(c)(6)(B) and (c)(6)(C) will not change.

Subsection 1896.81(c)(7) through (c)(9) will not change.

Subsection 1896.81(d) will be amended with text insertions, deletions, proper linking to cited regulation, grammatical corrections, and rearrangement of wording for better understanding of manufacturer determinations by OSDS, written display of numerical percentages and the removal of the word “dual” replaced by the specified certifications “small business and small business with a microbusiness designation,” which are eligible to obtain the manufacturer status. New rules maintain consistency with the same revised text in Subsection 1896.12(d)(3) on manufacturers and Section 1896.84 describing the certifications.

Subsection 1896.81(e) will be adopted with text insertions and deletions necessary to provide guidance and clarity that a DVBE is responsible for, and its certification eligibility is contingent upon, its ability to lawfully conduct business with the state. Also maintains consistency with newly adopted text in Subsection 1896.12(f).

Subsection 1896.81(f) will be adopted with text insertions to clarify the applicant's need to keep consistent with the applicant responsibilities as cited in Subsection 1896.82 for certification consideration. This also maintains consistency with newly adopted text in Subsection 1896.12(i).

Section 1896.82 will be amended with text insertions, deletions, grammatical corrections, proper linking to cited regulations, displaying written percentages with parentheses and additions to reference notes to clarify that information submitted to or collected by OSDS from multiple sources, including from other applicants, will be reviewed to determine certification eligibility with respect to control and management of the DVBE business and small business certification if applying simultaneously. It is ultimately the applicant's responsibility to provide complete and accurate information upon applying for certification, when maintaining certification, and upon request from OSDS. Additional allowance is given for the applicant to withdraw the certification request when requirements are not met. A business not meeting eligibility requirements or not being able to provide supporting documentation are examples of reoccurring rules and are applied throughout the subchapter. These rules maintain consistency with small business rules. The new text in Subsections (e)(1) and (e)(4) maintains consistency with revised Subsections 1896.12(e) and 1896.14(e). Subsection (g) offers clarification that no other organizations' certifications will be accepted. while Subsection (h) expands on Section 1896.80 regarding submittal of the application and all documentation is required at the time of application and the subchapter in general on the submission of information when requested by OSDS. Subsections 1896.82(d) and (f) will not change.

Section 1896.83 will be amended with text insertions, deletions, proper linking to cited regulation and statute, grammatical corrections and consolidation of actions resulting in certification denial with inclusion of text from Subsections 1896.84 and 1896.85 to maintain consistency. It is important to stress that actions related to certification denial also closely relate to those for certification discontinuance. The additional actions include, but are not limited to submittal of tax returns as required by regulation and statute, demonstrating 51% or 100% ownership and/or control of the business and its equipment, maintaining active corporate status through the Secretary of State's Office, active construction licenses as held with California's Contractors State License Board, as well as the statutory domicile and service-connected disability requirements. Subsection 1896.83(b) will not change.

Section 1896.84 will be amended with text insertions, deletions, proper linking to statute, punctuation, reposition of wording, and formatting/grammatical corrections. Requirements of Military and Veterans Code Section 999(b)(7)(B) simplified in (a) and (b), include display of days and years in written format with parentheses (b), (d), (g), and rearrangement of wording in (b), to clarify that certification processes have not changed but the rule was outdated, as DVBE firms are jointly certified as small business with or without microbusiness designation and/or small business for the purpose of public works, and, as such, adhere to the same small business administrative certification time frames for extensions (not 12 but 24 months on a case-by case basis based on the requirements stated in Section 1896.81) and the addition of the total overall certification period not to exceed 60 months for consistency with Subsection 1896.16(d), in Subsection (e). The text changes specify that verification of eligibility is necessary as a certified business must maintain certification eligibility requirements throughout the certification period. Failure to do so could result in certification

discontinuance, which is consistent with Subsection 1896.16(g). Adopting language to the subchapter regarding maintaining active status of licenses (j), and in (k) notifications of changes from certified businesses according to Military and Veterans Code Section 999.2(h). Subsections (c), (f), (g)(1), (g)(3), (h) and (i) will not change.

Section 1896.85 will be amended with text insertions, deletions, grammatical corrections, reorganization of wording, proper linking to statute and displays of percentages in written form with parentheses to simplify language regarding when a business' certification can be discontinued and restored from a discontinuance for clarity.

Section 1896.88 will be amended with text insertions, deletions, proper linking to statute and additions to the reference notes for clarity.

Article 4 Heading: Enforcement and Sanctions will not change.

Sections 1896.90 will be amended with text insertions, deletions, grammatical corrections, proper linking to cited statute and additions to reference notes for clarity. The text change is needed to clarify that when certification requirements are not met or no longer met due to a violation of either the DVBE, SB, or combined DVBE and small business rules (administratively constitutes program abuse), this will result in denial, discontinuance or revocation of all certifications and possible suspension from doing business with the state.

Section 1896.91 will be amended with text insertions, deletions, grammatical corrections, and reorganization of words to clarify the requirements of reporting allegations, written format of the numerical timing of days, proper linking to statute and additions to reference notes based on newly enacted legislation.

Section 1896.92 will be amended with text insertions, deletions and grammatical corrections to statute and reference notes, for correction and to maintain consistency with the newly adopted statutes.

Article 5 Heading: Appeal Process will not change.

Section 1896.95 Heading will not change.

Subsection 1896.95 will be amended with text insertions, deletions, and corrections in display of the numerical number of days with parentheses. Establishes OSDS as the authority to be the grantor of additional time for appeal submissions with extenuating circumstances, for good cause. In the case of nonresponse denials, appeals for businesses seeking certification are not available since they do not adhere to the grounds in Subsection (c) but rather that of Subsection (e)(3). OSDS is not able to determine eligibility requirements are met without the proper substantiating documentation. However, this exposes the need for resubmission of an application and supporting documentation for certification eligibility to be determined. The rule

adjustments are needed for clarity purposes and to remain consistent with the repositioned and revised small business rules Section 1896.22, Subsections (a) and (d).

Subsection 1896.95(b) will not change.

Subsections 1896.95(c)(1) and (c)(2) will not change.

Subsection 1896.95(c)(3) will be amended with text insertion, deletion, and proper linking to cited statute for clarity. Subsections (c)(1) and (c)(2) will not change.

Subsection 1896.95(d) will not change.

Subsection 1896.95(e) will be amended with text insertions to clarify the grounds provided to applicants seeking certification that fail to submit complete information requested by OSDS within the specified time frame. Consistency is maintained with the newly revised SB rule Subsection 1896.22(e)(1).

Subsection 1896.95(f) will be amended with text insertions, deletions, and proper linking to cited regulation for clarity.

Subsection 1896.95(g) will be amended with text insertions and reference note adjustments to clarify that appeals submitted to OSDS that are not rejected with appealable grounds found in Subsection 1896.95(c) will be forwarded to the ALJ for a decision pursuant to Section 1895.97 and to maintain consistency with newly repositioned small business rules subsection 1896.22(g).

Section 1896.96 will be amended with text insertions, deletions, and proper linking to cited statute for clarity.

Section 1896.97 will be amended with text insertions, deletions, reference note additions and proper linking to statute to clarify and to specify, based on Government Code Section 11517(c), that the administrative timing of when OSDS will adopt and make final the decision by the ALJ to uphold or deny an appeal, with or without imposing sanctions, will be five days from the date of service to the respondent, unless the ALJ order specifically states otherwise.

CALIFORNIA CODE OF REGULATIONS

TITLE 2. Administration

Division 2. Financial Operations

Chapter 3. Department of General Services

Subchapter 10.6 DVBE Incentive Program

Section 1896.99.100 will be amended with text insertions and deletions in Subsection (a) and adjustments to reference notes, for consistency with Subsections 1896.70(a) and (b) and to clarify correction of a past presumption that the highest ranking executive

with signatory authorization for each state agency, department, commission, or board is titled the director. Subsections (b) through (d) will not change.

Section 1896.99.120 will be amended with text insertions, deletions, grammatical corrections, and reorganization of wording to clarify the scoring, the inclusion of the written dollar amounts and percentages with parentheses, changes in reference notes and the replacement of “Director” to “highest ranking executive” may elect to place a cap on incentives and preferences, if combined in a solicitation. This change is made consistent with Subsections 1896.70 and 1896.99.100 as well.

Incorporation By Reference

Based on content revisions for consistency, both sets of rules, in SB Section 1896.14 and DVBE Section 1896.80, the document previously incorporated by reference is repealed: Small Business & DVBE Certification (Rev. 11/4/2016). A newly adopted application titled Small Business, Small Business for the Purpose of Public Works and/or Disabled Veteran Business Enterprise Certification (Application) (Rev. 09/2019) is incorporated in its place and included in this Initial Statement of Reasons, in accordance with the Administrative Procedure Act. The purpose of this document is for businesses seeking certification to provide the same basic information about their enterprises, along with supplemental or supporting information and documentation critical in proving eligibility for program inclusion, the requirements of which are expressly set forth in the Small Business Procurement and Contract Act. Additional “interpretation, implementation or specificity” from a rulemaking and regulatory perspective is not the intent nor function of the application. The existence of this document is needed because a percentage of businesses applying for certification lack access to the internet and technological equipment, including those from the disabled veteran community and rural areas. Due to transparency and consistency, any business can apply for certification via the online Cal eProcure state government business portal (<https://caleprocure.ca.gov/pages/sbdvbe-index.aspx>), as cited and unchanged in both sections of the rule, easily by using the application as a guide.

This document was minimally updated for simplification to better reflect current practice with web-based and electronic record-keeping (FI\$Cal), the fulfillment of a state mandate that all documents used by the public on the DGS.ca.gov website comply with the Americans with Disabilities Act, and the additional required certification program established in Senate Bill 605 (Chapter 673, Statutes of 2017), Small Business for the purpose of Public Works. Other notable and necessary changes in the documents incorporated by reference from 2016 to present are captured in the following chart.

2019	2016	Necessity Notes
Renamed, added SB-PW, Latest rev date, STD Form # stated as formerly, DGS Form # received, & other	Request for Small Business & DVBE Certification (Rev. 11/4/2016), displays website address	SB, DVBE and new SB for Public Works – SB 605, Gov. Code 14837(d)(1)(B),

updates: website address is a titled link		combined into a single document
Note regarding submittal of electronic vs. paper updated	Note regarding submittal of electronic vs. paper	Operational necessity
Certification Types separate question (1)	Certification Types (stand-alone)	To match fields in FI\$Cal
Item A: Registration & Contact Information Renumbered 2-19(c), (4) Removed DUN & Bradstreet, (7) Added: Office and Required (7, 8), Added questions: (18a) Military veteran owned, (18b) Veteran ownership at least 51%	Item A: Registration & Contact Information 1-18(b)	<ul style="list-style-type: none"> - To match fields in FI\$Cal - Additional business identifiers for searching database - To notify DVBE firms of process
Item B: Renumbered 20 - 25, Industry Type- Removed License Qualifier First & Last and Qualifier Type questions	Item B: 19-22c Industry Type - Eligibility questions	Eligibility questions match FI\$Cal, which automatically selects correct industry type, and to remove unnecessary barrier to complete application
Item C: Business Information- Renumbered 26-30, Instruction updates, no significant changes	Item C: Business Information – 23(a) - 27	Extra guidance needed to verify firm structure
Item D: Affiliate Business Relationship- Renumbered 31 a-b, added new instructions	Item D: Affiliate Business Relationship - 28 a-c explicit test questions	Operational necessity, eligibility verification
Item E - H: DVBE Applicant Only - Renumbered 32a - 47, No change	Item E-H: DVBE Applicant Only, 29 - 44	Operational necessity, eligibility verification
Item I: Applicant's Ownership - Renumbered 48, Instructions updated, no significant changes	Item I: Applicant's Ownership – 45	Operational necessity, eligibility verification
Item J: Employees – Renumbered 49, No changes	Item J: Employees – Requires entering number of employees	System determines employee threshold based on info entered
Item K: Gross Annual Receipts (GAR)- Renumbered 50-51, no significant changes	Item K: Gross Annual Receipts (GAR)- requires \$ entered to calculate GAR	System calculates GAR based on info entered from tax returns

Item L: Business Classification Codes and Keywords – Renumbered 52-54, no significant changes	Item L: Adds Business Classification Codes and Keywords	Needed for certification module in FI\$Cal and precursor procurement systems
Item M: Service Areas – Renumbered 55, no significant changes	Item M: Added Service Areas	Needed for certification module in FI\$Cal and precursor procurement systems
Item N: Required Signature – More verbiage to match online system, update include instructions and title of signer	Item N: Required Signature of applicant business representative for one signature	Streamlining adjustment to match fields in FI\$Cal
Item O: DVBE Disability rating – For DVBE Only – updated to include title and date	Item O: DVBE Disability rating – For DVBE Only –	Reinstate Penalty of Perjury- Gov. Code 14840 Federal Tax return req- Gov. Code 14840
Support Documentation for type of certification and business structure - Language and format updates, no significant changes	Support Documentation for type of certification and business structure- Added	Operational necessity, eligibility verification, FI\$Cal system updates

The second document being incorporated by reference into DVBE rules section 1896.78(e) is titled “Prime Contractor’s Certification - DVBE Subcontracting Report” (Rev. 10/2021) STD 817, Formerly DGS PD 810P repeals:

1. Prime Contractor’s DVBE Subcontracting Report, DGS PD 810P, Formerly GSPD 810P (Rev. 10/2019).
2. Prime Contractor’s DVBE Subcontracting Report, Form 810P (Rev. Sept 2016).
3. Prime Contractor’s DVBE Subcontracting Report, Form 810P (Rev. April 2014).

In 2014, a more active approach to DVBE participation data was taken based on State Auditors Report 2013—115 findings, where many state departments could not support the paid amounts reported by prime contractors to their DVBE contractors due to not maintaining the support documentation needed to verify the amounts, manually counting their DVBE data incorrectly, resulting in double-counting of DVBE contracts or taking credit for DVBE work that was not performed by DVBEs. A solution was to create a statewide policy, mentioned in the State Contracting Manual, with the guidance of Senate Bill 548 (Chapter 595, Statutes of 2009) requirements. Many departments created their own forms to capture and report this data to Department of General Services per Public Contract Code Section 10111. As these requirements have been updated to provide stronger measures in Assembly Bill 230 and partnering with Senate Bill 588 (Chapter 676, Statutes of 2019), an update in the statewide policy with the

inclusion of a revised, standard form (STD 817) is also necessary to maintain consistency and clarify those requirements. Additional “interpretation, implementation or specificity” from a rulemaking and regulatory perspective is not the intent nor function of this form. This creates an easy, simple way for state departments to collect DVBE subcontracting participation data with respect to those amounts committed and paid by prime contractors. The requirements can be found in the attached proposed text or in this Statement of Reasons.

The notable and necessary changes in the documents incorporated by reference from 2014 to present are captured in the following chart.

2021	2019	2016	2014	Necessity Notes
Renamed, New rev date, new form name: Prime Contractor’s Certification – DVBE Subcontracting Report, STD 817 stated as formerly DGS PD 810P	New rev date, two new form names: DGS PD 810P, stated as Formerly GSPD 810P, Adobe PDF, 5 pages total	New rev date	Prime Contractor’s DVBE Subcontracting Report Form 810P (Rev. April 2014), Excel sheet, seven pages total	Operational necessity <ul style="list-style-type: none"> - AB 230, MVC 999.5(d) - SB 588, MVC 999.7
Named Section State Department and Contract Information – New instructions for completion by Prime Contractor of Department information, Prime Contractor Information, and Contact Information Removal of: Prime Contractor FEIN #, Date Contract Entered, Date Contract Completed & Date Final Payment Received	Added more Dept. Info	Added: Date Contract Entered	Contract Number, Prime Contractor, FEIN Number, Phone Number, Address, Email Address, Department, Date Contract Completed, Date Final Payment Received, Contract Award Amount, Contract Received Amount	<ul style="list-style-type: none"> - Clarity - Clarity - Clarity - To match field in FI\$Cal - AB 230, MVC 999.5(d) - To match field in FI\$Cal - AB 230, MVC 999.5(d) - SB 588, MVC 999.7

Added FI\$Cal Contractor Supplier ID #, Contract Execution Date, Date Work Completed, Date Last Payment Received, State Use Only- Date Received				
Named Section - List of DVBEs involved in Contract Table – Clarified: DVBE Certification ID & Difference in Amount Paid to DVBE Added: Total Contract Commitment Percentage to DVBE, Percentage Paid to DVBE & Comments/Explanation area	No change	Table title update: Difference	List of DVBEs involved in Contract Table – DVBE Subcontractor(s) Name, DVBE Subcontractor(s) Address, DVBE Number, Total Contracted Amount to DVBE, Total Payment Amount to DVBE, Variance	<ul style="list-style-type: none"> - SB 588, MVC 999.7 - Clarity
Updates: Delete and replace with Return upon completion of contract	No change	Added: Prime Contract or Title	Declaration Statement, Prime Contractor Printed Name, Date, Signature, Return within 60 days for final payment statement, ADA Statement	<ul style="list-style-type: none"> - AB 230, MVC 999.5(d) - SB 588, MVC 999.7
Page Two – Added same sections as page 1, except Comments/Explanation and certification areas	Page Two – No change	Page Two – No change	Page Two - Contract Number, Prime Contractor, Department, Date Contract Completed, Contract Award, List of DVBEs Table, Declaration statement	<ul style="list-style-type: none"> - Clarity & Simplification

Form Completion Instructions – reorganized and updates above added	New rev date	Updates above added, new rev date	Form Completion Instructions	- Clarity & Simplification
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New applications and revised documents are included.