



**Department of General Services
Procurement Division**
707 Third Street, Second Floor, West Sacramento, CA 95605
(916) 375-4400 (800) 559-5529

Broadcast Date: July 1, 2024

Bulletin #: P-05-24

TO: Procurement and Contracting Officers (PCOs)
Purchasing Authority Contacts (PACs)
RE: Updated Procurement Guidance Applicable to ALL Purchases (IT & Non-IT) to Incorporate Generative Artificial Intelligence (GenAI) Requirements

| | |
|---------|--|
| Purpose | This Broadcast Bulletin (BB) provides updated information to the procurement and contracting steps announced in BB P-03-24 to implement item 3a of Executive Order N-12-23 (Executive Order) signed on September 6, 2023, related to the use of Generative Artificial Intelligence (GenAI). |
| Policy | <p>The updated policy, procedures, and requirements are effective July 1, 2024, and must be fully implemented on or before August 1, 2024.</p> <p>The web-based toolkit has been updated and is available here:</p> <p style="text-align: center;"><u>California Generative Artificial Intelligence Toolkit (GenAI Toolkit)</u></p> <p>Transactions subject to the SCM must adhere to new and updated policy and procedure as noted in this BB. SCM Vol. 2 will be updated on or before July 15, 2024, to reflect the updates.</p> <p>Transactions subject to California Department of Technology's (CDT's) procurement authority are also subject to the procurement requirements noted in the above GenAI Toolkit.</p> <p>SCM Vol. 2 will incorporate the GenAI Toolkit procurement requirements. Below are the updates to procurement policy, procedures, and requirements:</p> |

NEW - Purchases Exempt from GenAI Procurement Procedures:

1. Mandatory California Prison Industry Authority (CALPIA) purchases of goods and services. (See SCM Vol. 2, Chapter

5, Section 502.)

2. Mandatory services provided by Office of State Publishing (OSP).
3. Mandatory services provided by California Department of Technology (CDT).
4. Purchases from DGS Surplus Property.
5. Interagency agreements (IAA) between CA state departments that do not include third party contracts.
6. Commodity types that do not include a technology or service component. Examples include:
 - Office, medical, and cleaning supplies (staplers, pens, masks, mops, etc.)
 - Office furniture (chairs, desks, etc.)
 - Non-IT hardware (hammer, nails, buckets, etc.)

Commodity purchases that would NOT be exempt include items with a technology component, including but not limited to Bluetooth, network, cloud computing, and software use, are not exempt (e.g. vehicles with technology, refrigerator with technology including software, networked printers, cloud computing software license to access online content including news, information, and communication services, etc.).

NEW – Required Contract Language Addressing GenAI

Except for exempt transactions, for all acquisition types (IT, non-IT goods, non-IT services, etc.) regardless of acquisition method, must include the new GenAI contract language when executing new contracts including amendments. The required contract language is as follows:

During the term of the contract, Contractor must notify the State in writing if their services or any work under this contract includes, or makes available, any previously unreported GenAI technology, including GenAI from third parties or subcontractors. Contractor shall immediately complete the GenAI Reporting and Factsheet (STD 1000) to notify the State of any new or previously unreported GenAI technology.

At the direction of the State, Contractor shall discontinue the use of any new or previously undisclosed GenAI technology that materially impacts functionality, risk or contract performance, until use of such GenAI technology has been

approved by the State.

Failure to disclose GenAI use to the State and submit the GenAI Reporting and Factsheet (STD 1000) may be considered a breach of the contract by the State at its sole discretion and the State may consider such failure to disclose GenAI and/or failure to submit the GenAI Reporting and Factsheet (STD 1000) as grounds for the immediate termination of the contract. The State is entitled to seek any and all relief it may be entitled to as a result of such non-disclosure.

The State reserves the right to amend the contract, without additional cost, to incorporate GenAI Special Provisions into the contract at its sole discretion and/or terminate any contract that presents an unacceptable level of risk to the State.

UPDATED – Required Solicitation Language Addressing GenAI Disclosure

Except for exempt transactions, for all acquisition types (IT, non-IT goods, non-IT services, etc.) regardless of acquisition method, written solicitations must include the following GenAI disclosure language:

The State of California seeks to realize the potential benefits of GenAI, through the development and deployment of GenAI tools, while balancing the risks of these new technologies.

Bidder / Offeror / Contractor must notify the State in writing if their solution or service includes, or makes available, any GenAI including GenAI from third parties or subcontractors.

The State has developed a GenAI Reporting and Factsheet (STD 1000) to be completed by the Bidder / Offeror / Contractor.

Failure to submit the GenAI Reporting and Factsheet (STD 1000) will result in disqualification of the Bidder / Offeror / Contractor.

Failure to report GenAI to the State may void any resulting contract. The State reserves its right to seek any and all relief it may be entitled to as a result of such non-disclosure.

Upon receipt of a Bidder / Offeror / Contractor GenAI Reporting and Factsheet (STD 1000), the state reserves the right to incorporate GenAI Special Provisions into the final contract or reject bids/offers that present an unacceptable

level of risk to the state.

UPDATED – DGS Statewide Form - STD 1000

The STD 1000 (formerly titled “GenAI Disclosure & Factsheet), remains a requirement and is available [here](#). The following has been changed:

1. The title of the form has changed to “GenAI Reporting & Factsheet.” The form number (STD 1000) remains the same.
2. Fields within the form have been modified to enhance collection of necessary information.
3. Instructions for completion of the form have been updated.

The purpose and use of the form remains unchanged with clarifications noted below:

- Bidders/offerors are required to complete and return form STD 1000 at time of bid/offer.
- Procurement professionals may allow a reasonable amount of time to all bidders/offerors to:
 - Collect the form if not returned with the bid/offer.
 - Request completion of the form if bidder/offer failed to mark “yes” or “no”, failed to sign the form, or failed to complete required fields when the “yes” box is marked.
- Once a completed STD 1000 is submitted with the bid/offer, it must not be modified. Procurement officials must be consulted for any communications or clarifications related to the STD 1000.
- Only a copy of the STD 1000 for the proposed awardee is submitted to the CIO; not all STD 1000 forms for all bidders/offerors.
- For transactions exempt from competition, a form STD 1000 is required prior to contract award.

Reminder – Contractors are also required to submit and return the form for amendments to existing contracts.

Clarification - STD 1000 forms are kept in the procurement file with bid/offer responses and in the procurement file for transactions exempt from competition (e.g. proprietary software, contracts awarded based on an approved Non-Competitive Bid Justification, etc.). Share a copy with CIOs or designees to perform a risk

assessment (as applicable), CIOs will share a copy with CDT as part of a GenAI consultation request.

UPDATE - GenAI Procurement Training

By July 15, 2024, the GenAI procurement training will be updated and a second training available that incorporates the updated information contained in this BB.

Existing Purchasing Authority Contacts (PAC) are not required to re-take the initial training and are encouraged to take the second (PART 2) training.

Reminder - Newly designated Purchasing Authority Contacts (PAC) are required to complete all available mandatory GenAI procurement training offered by DGS within the timeframe specified in SCM Vol. 2.

REMINDER - Written Solicitation

Acquisitions for the known purchase of GenAI or that use GenAI in the performance of a contract, must be conducted using a written solicitation. Use of acquisition methods that do not require a written solicitation (e.g., phone quotes, Fair and Reasonable Acquisition Method) are prohibited for these purchases.

REMINDER - Transactions Exempt from Competition

SCM Vol. 2 requires solicitations for transactions exempt from competition; see “Procurement Approach for Exempt and NCB Contract Activities – 1508”.

REMINDER – Department Chief Information Officer (CIO) Confirmation

CIOs are required to conduct a risk assessment and potential consultation with CDT before proceeding with a purchase that includes GenAI (refer to TL 24-01).

Therefore, prior to proceeding with a purchase or executing a contract that includes GenAI, procurement professionals must confirm with their department CIO that the purchase may proceed. Confirmation must be kept in the procurement/contract file and can be an email or a form created by the department.

Confidentiality during the procurement process is essential and therefore the procurement official must ensure that the CIO and/or designee complies with existing procurement policy and procedures for confidentiality when reviewing STD 1000 and conducting the risk assessment. Procurement officials must be engaged for any

communications related to the STD 1000.

- “Refer to SCM Vol. 2. Chapter 14 - “Buyers conducting competitive procurements shall provide qualified suppliers with a fair opportunity to participate in the competitive acquisition process, stimulating competition in a manner conducive to sound State fiscal practices emphasizing the elimination of favoritism, fraud, and corruption in awarding contracts.”

Departments must establish internal procedures to ensure compliance with this section.

REMINDER - GenAI Special Provisions

CDT may identify the need to incorporate specific GenAI Special Provisions as a result of a CIO's consultation with CDT. The GenAI Special Provisions are applied on a case-by-case basis and not made available for use by departments without CDT's recommendation.

REMINDER - DGS Leveraged Procurement Agreements

Refer to [BB K-27-24](#) on procurement guidance for all Leverage Procurement Agreement (LPA) purchases to incorporate GenAI requirements.

| | |
|-----------------------|--|
| Background | Executive Order N-12-23 (Executive Order) signed on September 6, 2023, tasked DGS and CDT, under item 3a: “To ensure State government fosters a safe and responsible innovation ecosystem that puts AI systems and tools to the best uses for Californians” by issuing procurement guidance through a consultative process to address “address safety, algorithmic discrimination, data privacy, and notice of when materials are generated by GenAI” for GenAI purchases by January 2024. The Executive Order allows revisions to occur after initial guidance is issued. |
| Procedure/ Process | SCM Vol. 2, Chapter 23 “Generative Artificial Intelligence (GenAI)” will be updated to align with changes noted in this BB. Departments must update and implement internal policy and procedures to carry out the requirements, as soon as possible and no later than August 1, 2024. The GenAI procurement training will be available through the DGS California Procurement and Contracting Academy (CalPCA) on July |

15, 2024. To register and complete the GenAI procurement training, visit CalPCA Online at [DGS CAL PCA](#).

Newly designated PACs must complete all GenAI procurement training and submit certificates to DGS within 30 days of designation (SCM Vol. 2 Section 100.3).

PACs are encouraged to invite other procurement officials and employees involved in the procurement process (e.g., contract managers, CIOs, etc.) to complete available GenAI procurement training.

| | |
|-----------|--|
| Questions | For transactions subject to SCM V1, please contact the attorney assigned to your department. |
| | For transactions subject to SCM V2, please email: ppo@dgs.ca.gov |