

MANAGEMENT MEMO		NUMBER: 24-02	
SUBJECT: Small Business Participation, wholly or partly, funded by the Federal Infrastructure Investment and Jobs Act (IIJA)		EFFECTIVE DATE: 04/01/2024	
ISSUING AGENCY: DEPARTMENT OF GENERAL SERVICES		EXPIRES: Until Rescinded	SUPERSEDES: N/A

Purpose

The purpose of this management memo is to inform state agencies of the new Small Business (SB) participation requirements for specified contracts, funded in whole or in part, by the federal Infrastructure Investment and Jobs Act (IIJA) pursuant to Assembly Bill (AB) 2974 (Ch. 600, Statutes of 2022) and Government Code section [14838.1 \(c\)](#).

On September 27, 2022, AB 2974 was signed into law with an effective date of January 1, 2023, to encourage SB participation in new contracts for the construction, alteration, demolition, repair, or improvement of the state's infrastructure by adding several requirements for state agencies awarding new contracts over five hundred thousand dollars (\$500,000) that are financed, in whole or in part, with proceeds from the federal IIJA.

Legal Authority

[Government Code section 14838.1](#)

[Government Code section 12800](#)

[Public Contract Code section 10335.7](#)

[California Code of Regulations, title 2, section 1896.4 \(p\), \(u\) and \(v\)](#)

Definitions

For the purposes of this policy, the following definitions shall apply:

Microbusiness (Micro), SB and Small Business for Purpose of Public Works (SB-PW): For definitions see California Code of Regulations, title 2, section [1896.4](#) (p), (u) and (v).

State Agency(ies): Includes each agency provided for in section [12800](#) of the Government Code and each state entity in section [10335.7](#) of the Public Contract Code in which the head of the agency is appointed by the Governor.

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Policy

Effective April 1, 2023, all state agencies shall establish 25% SB procurement participation requirements on all new contracts over five hundred thousand dollars (\$500,000) financed, in whole or in part, with IIJA federal funds from the following subtitles, titles, and divisions, unless an exemption determination is made as specified below:

- Division A, the Surface Transportation Reauthorization Act of 2021 (23 U.S.C. Sec. 101 et seq.).
- Division B, the Surface Transportation Investment Act of 2021 (49 U.S.C. Sec. 101 et seq.).
- Division E, the Drinking Water and Wastewater Infrastructure Act of 2021 (33 U.S.C. Sec. 1251 et seq.).
- Division F, Broadband (47 U.S.C. Sec. 1701 et seq.).
- Title IX of Division G, the Build America, Buy America Act (41 U.S.C. Sec. 8301 et seq.).

Additionally, all state agency SB advocates shall provide information to California SB's regarding training and technical assistance in identifying, understanding, and bidding on federal IIJA funded contracts.

Responsibilities

State Agencies:

Effective immediately, all state agencies are required to do the following for each new contract over five hundred thousand dollars (\$500,000) financed, in whole or in part, with federal IIJA funds:

1. Establish a 25% SB procurement participation goal for each new contract for construction, alteration, demolition, repair, or improvement of the state's infrastructure, unless making an exemption determination.
2. Make determinations pursuant to Government Code section [14838.1](#), subdivision (c) regarding contracts that are exempt from the 25% SB participation goal.
3. Report each contract exemption determination to Department of General Services (DGS), Office of Small Business and Disabled Veteran Business Enterprise Services (DGS-OSDS), per the procedures below.
4. Require SB advocates to provide information to California small businesses regarding training and technical assistance that is available to assist them in identifying, understanding, and bidding on contracts.

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5. Report annually to DGS, statistics comparing the SB and microbusiness participation dollars to the total award dollars for such contracts, per the procedure below.
6. Submit an Improvement Plan (plan of action) to DGS by October 1st of each year if the department did not meet the 25% per contract participation requirement for the last fiscal year.

The following applies to all state agencies receiving IIJA funding for contracts:

1. Establish procedures to identify contracts issued on or after April 1, 2023, and a mechanism to obtain approval from executives or designees for determining and granting exemptions from SB requirements.
2. Submit approved IIJA SB Exemption Forms STD [810Ae](#) to the OSDS at OSDSReports@dgs.ca.gov within 30 days of approval.
3. Conduct outreach to SB and DVBE communities in support of the 25% requirement.
4. Report SB participation by October 1st of each year through any of the following :
 - [Financial Information System for California \(FI\\$Cal\)](#)
 - State Contracting and Procurement Registration System (SCPRS) manual entry, super tool, or interface file
 - Online FI\$Cal [Form 810 Intake Pages](#) (Form 810A).

This includes reporting of participation by certified SB subcontractors and suppliers.

5. Submit an SB/DVBE Improvement Plan by October 1st of each year via the [DGS Shared Services](#) referring to the [Guide to Access Improvement Plan](#) for instructions on how to expand, view and complete all the subsequent IIJA-related questions.
6. As applicable, SB Advocates should send to DGS-OSDS any anticipated contracting opportunities annually to OSDSReports@dgs.ca.gov
7. For contracts less than \$500,000, it is recommended to set a SB contract requirement in compliance with those factors listed in California Code of Regulations, title 2, section [1896.5 \(a\)](#), Small Business Participation Goals.
8. As a best practice, notify SB advocates in April of each year of any anticipated contracting opportunities in the following fiscal year, so they can provide timely information to SBs on training and technical assistance available to assist them in bidding.

Resources

- [Guide to Access Improvement Plan](#)
- [SB/DVBE Participation Improvement Plan](#)

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- IIJA SB Exemption Forms STD [810Ae](#)
- [AB 2974 Small Business Procurement and Contract Act: federal Infrastructure Investment and Jobs Act Funding. \(ca.gov\)](#)

Contact Information

Direct questions on the IIJA funded contracting requirements to:

Office of Small Business and DVBE Services
Telephone: 279-799-4644
Email: OSDSReports@dgs.ca.gov

Approval



Ana M. Lasso, Director
Department of General Services