



**Department of General Services  
Procurement Division**

707 Third Street, Second Floor, West Sacramento, CA 95605  
(916) 375-4400 (800) 559-5529

**Broadcast Date: May 6, 2025**

**Bulletin #: P-04-25**

---

**TO: Purchasing Authority Contacts (PACs)  
Procurement and Contracting Officers (PCOs)  
Small Business and Disabled Veteran Business Enterprise  
Advocates**

**RE: Updated Requirements to the Small Business Procurement and Contract Act**

---

**Purpose** This Broadcast Bulletin is to announce the State Contracting Manual (SCM), Volume 2 updates mentioned in previously published bulletins:

- **[BB. No. P-11-22](#) - SUBJECT: NEW Requirement to Expand the Pool of Small Businesses and Microbusinesses in State Contracts/Procurements**
- **[BB. No. P-12-22](#) - SUBJECT: Economic Equity for Small Business and Disabled Veteran Business Enterprise Firms and Diversity Among State Contractors**

---

**Policy** All state entities identified in Sections [14835](#) through [14847](#) of the Government Code (Gov. Code) are required to do the following:

1. Effective January 1, 2022, awarding departments are required to make continuous efforts to expand the pool of California certified Small Business (SB), Microbusiness and Disabled Veteran Business Enterprise (DVBE) firms participating in state contracts by regularly seeking out and identifying certified firms that have not previously done business with, or that are not regularly used by the awarding departments and other state agencies, and include those SBs, Microbusinesses, and DVBEs when soliciting offers, quotes or bids.
2. Effective January 1, 2023, awarding departments are required to establish a minimum annual goal of 25% contracting participation for SBs and Microbusinesses applicable to all purchases of all goods and services, IT and non-IT. The Department of General Services (DGS) will consider appropriate remedial actions for mandatory reporting departments that fail to meet the SB and DVBE participation

goals for three out of five years, beginning with the fiscal year 2022-23.

---

Background

The Small Business Procurement and Contract Act (the Act) in Gov. Code, §§ 14835-14847 establishes the authority and provides direction for the SB and DVBE program. Executive Order S-02-06 requires awarding departments to achieve an annual goal of 25% SB participation in state contracts.

Recent legislation contained in [Assembly Bill \(AB\) 1574](#) (Chapter 756, Statute of 2021) and [AB 2019](#) (Chapter 730, Statute of 2022) strengthened the Act by – among other things – adding requirements for the state to expand and diversify its pool of SB/DVBE bidders and by codifying into the law the requirements for state departments to achieve an annual goal of 25% SB participation in state contracts.

Refer to the broadcast bulletins mentioned above for more information.

---

Procedure/  
Process

The new requirements have been updated in the SCM, Volume 2 Consolidated, as follows:

[Small Business and Disabled Veteran Business Enterprise Contracting, Section 1200](#)

- **Opportunity** - Requires state departments to regularly seek out and identify certified SBs, Microbusinesses and DVBEs that have not done business with the state previously or on a regular basis, per Gov. Code Section [14838\(f\)](#).
- **Annual Statewide Participation Goals** - Includes the statutory provision citation regarding the annual participation goal of not less than 25% for SB participation and the requirement to apply remedial actions for state departments that do not meet their SB or DVBE participation goals in three out of five years.
- **SB or DVBE Option** - Includes additional steps regarding using the best value award criteria and advertising when feasible for solicitations valued between \$5,000.01 and \$249,999.99, in accordance with Gov. Code Section [14838.5 \(a\) and \(b\)](#).

[Acquisition Method - Competitive, SB/DVBE Option, Section 1405.3](#)

- **Using the SB/DVBE Option** - Includes additional steps regarding using the best value award criteria and advertising when feasible for solicitations valued between \$5,000.01 and

\$249,999.99, in accordance with Gov. Code Section [14838.5 \(a\) and \(b\)](#).

- **Requirements** - Requires state departments to regularly seek out and identify certified firms to expand the pool of certified SBs, Microbusinesses and DVBEs that have not done business with the state previously or on a regular basis, to comply with Gov. Code Section [14838\(f\)](#).

[Acquisition Method - Non-Competitive, Fair and Reasonable Acquisition Method Purchases, Section 1510](#)

- **Fair and Reasonable Acquisition Method** - Requires state departments to regularly seek out and identify certified SBs, Microbusinesses and DVBEs that have not done business with the state previously or on a regular basis, to comply with Gov. Code Section [14838\(f\)](#).

[Acquisition Method - Leveraged Procurement Agreement Basics, Section 1602](#)

- **SB and DVBE Consideration** - Requires state departments to regularly seek out and identify certified SBs, Microbusinesses, and DVBEs that have not done business with the state previously or on a regular basis, to comply with Gov. Code Section [14838\(f\)](#).

Questions

---

For questions regarding the SB/DVBE annual participation goals and the SB/DVBE program, contact the DGS Office of Small Business and Disabled Veteran Business Enterprise Services at [Advocate@dgs.ca.gov](mailto:Advocate@dgs.ca.gov).