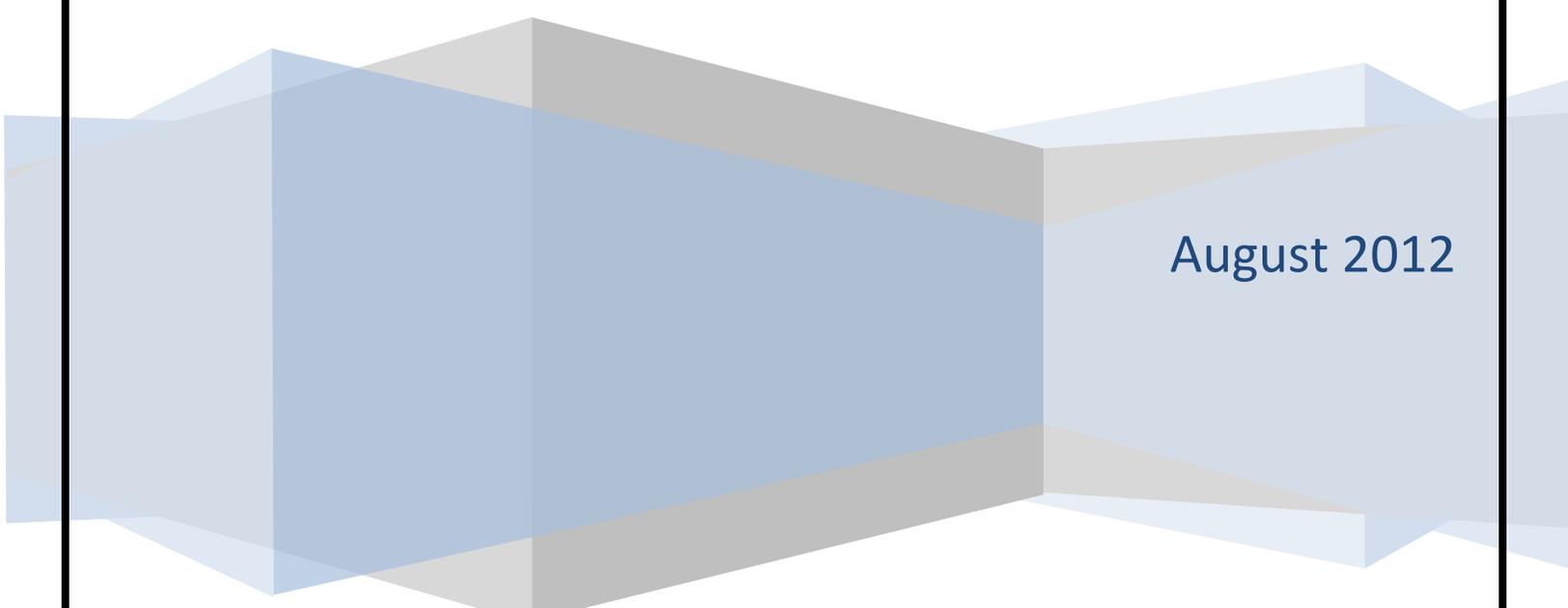


U. S. Small Business Administration
Office of Government Contracting and Business Development

Supplemental Workbook

Price Evaluation Preference HUBZone Program

Guide for Contracting Officers



August 2012

“Price Evaluation Preference” HUBZone Program Guide for Contracting Officers

Office of Government Contracting & Business Development

August 2012



U.S. Small Business Administration

-- HUBZone Program --

This is about the price evaluation preference -- available for HUBZone firms.

Welcome to SBA’s guide for contracting officers and other contracting personnel, specific to the HUBZone program.

NOTE: *This supplemental workbook tracks the slides and narrative contained in the online training program, “Price Evaluation Preference -- HUBZone Program.” It is a guide for contracting officers and other contracting personnel. The online version of the training program, with audio can be accessed at: www.sba.gov/gcclassroom. For the user’s convenience, all hyperlinks contained in the copied slides are included as links at the end of the workbook.*

Introduction

- Program is designed to help small firms in certain communities gain access to federal contract opportunities
- HUBZone areas: typically areas of low median household incomes or high unemployment, or both

Learn more...

FAR 19.1301 – 19.1308



-- HUBZone Program --

The HUBZone program is designed to help small businesses gain access to federal procurement opportunities. HUBZone areas are typically areas of low median household incomes or high unemployment, or both.

Notes:

Program Purpose

- Provides federal contracting assistance to qualified small firms in designated HUBZones to:
 - Increase employment opportunities
 - Stimulate capital investment
 - Empower communities through economic leveraging

Learn more...

FAR 19.1301 – 19.1308



-- HUBZone Program --

The program provides federal contracting assistance to qualified small firms located in historically underutilized business zones -- or HUBZones -- to increase employment opportunities, stimulate capital investment in those areas, and empower communities through economic leveraging.

Notes:

Key Program Benefits

- Contract set-asides
- 3% government-wide prime and subcontracting goals
- **10% price evaluation preference**



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The program offers significant benefits to certified HUBZone firms. These benefits include:

- Set asides – where as a contracting officer can reserve or set-aside specific contracts for qualified HUBZone firms;
- Government-wide contracting goals – such that at least 3% of all federal prime contracting dollars and 3% of all federal subcontracting dollars should flow to certified and qualified HUBZone firms;
- And, as the topic of this guide, the program features a price evaluation preference of 10% for the benefit of certified HUBZone firms in full and open competitive contract transactions.

Notes:

Price Evaluation Preference - Specifics

- Price evaluation preference is a key benefit for HUBZone firms and a powerful tool for contracting officers
- Shall only be applied in full and open competitive procurements
- PEP can not be used:
 - where price is not a contract evaluation factor
 - for acquisitions where “all fair and reasonable offers are accepted”



-- HUBZone Program --

The price evaluation preference is a key benefit for qualified HUBZone firms. It is also a powerful tool for contracting officers to reach HUBZone contracting goals.

Importantly, however, it shall only be used by contracting officers in acquisitions using full and open competition. Further, the preference CAN NOT be used: (1) in acquisitions where price is not an evaluation factor and (2) in the award of multiple award contracts, buying schedules or in circumstances where all fair and reasonable offers are accepted.

Notes:

Calculating the Evaluation Preference

- In full and open competitions, a contracting officer must deem the price offered by a qualified HUBZone firm to be lower than the price offered by another offeror – other than another small business – if the price offered by the qualified HUBZone firm is not more than 10% higher than the otherwise lowest, responsive and responsible offeror
- Circumstances involving a “best value” procurement -- the price evaluation preference may still apply

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Again, the 10% price evaluation preference can only be applied in full and open competitions.

This is how it works. A qualified HUBZone firm can win a competitive procurement even if its bid is up to 10% higher than an equally qualified large firm.

A contracting officer must deem the price offered by a qualified HUBZone firm to be lower than the price offered by another offeror – other than another small business – if the price offered by the qualified HUBZone firm is not more than 10% higher than the otherwise lowest, responsive and responsible offeror. In other words, the price offered by a qualified HUBZone firm can be as much as 10% higher than the price offered by a qualified large business or non-small business and still win the competition.

In circumstances involving a “best value” procurement, the price evaluation preference may still apply. That is, in a situation where a qualified HUBZone firm is competing with qualified large firms, the 10% price adjustment -- to benefit of the HUBZone firm -- would be made and the contracting officer would then determine which offeror represents the best value to the government, in accordance with the terms of the solicitation.

Consider the following examples and GAO case.

Example 1... (HUBZone, Non-HUBZone Small Business & Large Business)

FACTS: In a full and open competition, a qualified HUBZone firm submits an offer of \$100, a non-HUBZone small business submits an offer of \$97, and a large business submits an offer of \$95. It appears the lowest, responsive, responsible offeror would be the large business.

OUTCOME: The contracting officer must apply the price evaluation preference. As such, the HUBZone offer of \$100 is not more than 10% higher than the \$95 offer of the large business. Therefore, the qualified HUBZone firm displaces the large business as the lowest, responsive, and responsible offeror.



-- HUBZone Program --

Example 1.

In a full and open competition, a qualified HUBZone firm submits an offer of \$100, a non-HUBZone small business submits an offer of \$97, and a large business submits an offer of \$95. It appears the lowest, responsive, responsible offeror would be the large business.

However, because this procurement involves a qualified HUBZone firm and is a full and open competition, the contracting officer must apply the price evaluation preference. As such, the HUBZone offer of \$100 is not more than 10% higher than the \$95 offer of the large business.

Notes:

Example 2... (HUBZone, Non-HUBZone Small Business & Large Business)

FACTS: In a full and open competition, a qualified HUBZone firm submits an offer of \$103, a non-HUBZone small business submits an offer of \$100, and a large business submits an offer of \$93. The lowest, responsive, responsible offeror would be the large business.

OUTCOME: The contracting officer must apply the price evaluation preference. As such, the HUBZone offer of \$103 is more than 10% higher than the \$93 offer from the large business. Therefore, the qualified HUBZone firm **does not** displace the large business as the lowest, responsive, and responsible offeror. In addition, the non-HUBZone small firm with its offer of \$100, does not displace the large business because a price evaluation preference is not applied to benefit a non-HUBZone small business.



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Example 2.

In a full and open competition, a qualified HUBZone firm submits an offer of \$103, a non-HUBZone small business submits an offer of \$100, and a large business submits an offer of \$93. The lowest, responsive, responsible offeror would be the large business.

Again, in this case, because a qualified HUBZone firm is involved in a fully competitive acquisition, the contracting officer must apply the price evaluation preference. As such, the HUBZone firm offer of \$103 is more than 10% higher than the \$93 offer from the large business. Therefore, the qualified HUBZone firm **does not** displace the large business as the lowest, responsive, and responsible offeror. In addition, the non-HUBZone small firm with its offer of \$100, does not displace the large business because a price evaluation preference is not applied to benefit a non-HUBZone small business.

Notes:

Example 3... (HUBZone and Non-HUBZone Small Business)

FACTS: In a full and open competition, a qualified HUBZone firm submits an offer of \$98 and a non-HUBZone small business submits and offer of \$93.

OUTCOME: The contracting officer would not apply the price evaluation preference in this procurement because the lowest, responsive, and responsible offeror is a small business.



-- HUBZone Program --

Example 3.

In a full and open competition, a qualified HUBZone firm submits an offer of \$98 and a non-HUBZone small business submits and offer of \$93.

In this case, the contracting officer **would not apply** the price evaluation preference because the lowest, responsive, and responsible offeror is a small business.

Notes:

GAO Case: Explo Systems, Inc. (B-404952)

- Explo Systems, Inc. a certified HUBZone small business protested the award of a “best value” contract to General Dynamics Ordnance and Tactical, a large business, on grounds the Army did not apply the price evaluation preference
- GAO sustained the protest



-- HUBZone Program --

In an interesting and recent GAO case, Explo Systems, Inc. a certified HUBZone small business protested the award of a “best value” contract to General Dynamics Ordnance and Tactical, a large business, on grounds the Army did not apply the price evaluation preference.

GAO sustained the protest on grounds the Army deviated from the solicitation requirement to apply the HUBZone price evaluation preference during its evaluation. It recommended that the agency apply the HUBZone price evaluation preference in accordance with the applicable FAR provisions and that it perform a new “best value” tradeoff decision.

It also recommended that the protester be reimbursed reasonable costs for filing and pursuing its protest.

Notes:

Department of Agriculture Purchases

- Price evaluation preference is different for commodity purchases made by the Secretary of Agriculture
 - 10% for the portion of a contract to be awarded that is not greater than 25% of the volume being procured for each commodity in a single IFB
 - 5% for the portion of a contract to be awarded that is not greater than 25%, but not greater than 40% of the total volume being procured for each commodity in a single IFB
 - 0% for the portion of a contract that is greater than 40% of the total volume being procured for each commodity in a single IFB

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For purchases made by the Department of Agriculture, for agricultural commodities, the price evaluation preference is different.

That is, for specific agricultural products, the HUBZone price evaluation preference is as follows: (a) 10% for the portion of a contract to be awarded that is not greater than 25% of the volume being procured for each commodity in a single invitation for bids; 5% for the portion of a contract to be awarded that is not greater than 25%, but not greater than 40% of the total volume being procured for each commodity in a single invitation for bids; and, zero percent for the portion of a contract that is greater than 40% of the total volume being procured for each commodity in a single invitation for bid.

The 10% and 5% price evaluation preferences for agricultural products apply to all offers from qualified HUBZone firms up to the 25% and 40% volume limits just described. As such, more than one qualified HUBZone firm may receive a price evaluation preference for any given commodity in a single IFB.

Notes:

Agricultural Exports

- For purchases made by the Department of Agriculture for export
 - price evaluation preference is 5% on the first portion of a contract to be awarded that is not greater than 20% of the total volume being procured for each commodity in a single IFB



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For purchases made by the Department of Agriculture for export -- through the international food aid programs administered by the Farm Service Agency -- the price evaluation preference is 5% on the first portion of a contract to be awarded that is not greater than 20% of the total volume being procured for each commodity in a single IFB.

Notes:

Waiver of Price Evaluation Preference

- HUBZone small business may elect to waive the price evaluation preference
- Certain “limitations on subcontracting” would not apply
- Review FAR 52.219-4(c)

Learn more...

FAR 52.219-4 (c)



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A HUBZone small business may elect to waive the price evaluation preference, in which case the 10% pricing factor would be added to its offer for evaluation purposes.

In such cases, certain limitations on subcontracting **would not apply**. See FAR Part 52.219-4(c) for specifics and clarity.

Notes:

Contract Clause

- In the vast majority of solicitations and contracts for acquisitions using full and open competition, the contracting officer is required to insert the clause at FAR Part 52.219-4, Notice of Price Evaluation Preference for HUBZone Small Business Concerns

Learn more...

FAR 19.1308; FAR 52.219-4



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In the vast majority of solicitations and contracts for acquisitions conducted using full and open competition, the contracting officer is required to insert the clause at FAR 52.219-4, Notice of Price Evaluation Preference for HUBZone Small Business Concerns.

Notes:

Resources and Questions

Notes:

Resources and Tools

- Federal Acquisition Regulations
 - <https://www.acquisition.gov/far>
- Acquisition Central
 - <https://www.acquisition.gov/>
- FAR Part 19 – Small Business Programs
 - <http://www.acquisition.gov/far>
- Code of Federal Regulations (13CFR)
 - <http://www.gpoaccess.gov/cfr/index.html>
- Federal Business Opportunities
 - <http://www.fbo.gov>
- SBA-Government Contracting
 - <http://www.sba.gov/aboutsba/sbaprograms/gc/index.html>

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Numerous resources are available to assist contracting officers and other contracting personnel with general contracting issues or questions.

Notes:

Resources and Tools

- Learn more about:
 - [Non-manufacturer waivers](#) (SBA information)
 - [SBA Size Standards](#)
 - [8\(a\) Business Development Program](#)
 - [WOSB Program](#)
 - [HUB Zone Program](#)
- Local (client) resources:
 - [SBA district office](#) (Business Opportunity Specialists)
 - [Procurement Technical Assistance Center \(PTAC\)](#)
 - [SCORE chapter](#)
 - [Small Business Development Center](#)
 - [SBA/SBDC Program Office](#)
 - [Women's Business Center](#)
 - [SBA/WBC Program](#)

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Use these resources to enhance your procurement strategy.

Notes:

Contact Us...

- Thank you for taking the time to learn about the HUBZone price evaluation preference
- Please contact us with any questions you may have

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Thank you for taking the time to learn about the HUBZone price evaluation preference.

Much information has been discussed and we hope it is helpful. Please contact us with any additional questions you may have.

Thank you.

Notes:

Hyperlinks Contained in the Workbook

- Federal Acquisition Regulations
 - <https://www.acquisition.gov/far>
- Acquisition Central
 - <https://www.acquisition.gov/>
- FAR Part 19 – Small Business Programs
 - <http://www.acquisition.gov/far>
- Code of Federal Regulations (13CFR)
 - <http://www.gpoaccess.gov/cfr/index.html>
- Federal Business Opportunities
 - <http://www.fbo.gov>
- SBA-Government Contracting
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