Government Contracting 101
Part 1
Overview of Small Business Programs
Welcome to SBA’s training program, Government Contracting 101, Part 1.

NOTE: This supplemental workbook tracks the slides and narrative contained in the online course, Government Contracting 101, Part 1. It is the first module in a 3-part training series. 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.
This training program is designed to help small businesses understand government contracting programs. It is about helping small firms win federal contracts.

There are three parts to this training program. This part, part one, provides a small business introduction to government contracting. It describes prime and subcontracting assistance programs, SBA certification programs, and it describes women and veteran owned small business programs.

Parts two and three, provide clarity and training around how the government buys and how to sell to the government. Taken together, the three parts represent a comprehensive -- government contracting --guide for small businesses.
Learning Objectives

1. Know about federal contract markets and opportunities
2. Understand prime contract and subcontracting assistance programs
3. Understand SBA’s certification programs – 8(a) Business Development and HUBZone
4. Know about the Woman Owned Small Business program and the veteran owned small business programs (VOSB, SDVOSB & Vets First Contracting)

After reviewing this training program you should:

- Have a general understanding about federal contract markets and contract opportunities.
- Understand prime contracting and subcontracting assistance programs and how they can be used to take advantage of federal contract opportunities.
- Understand SBA’s certification programs – the 8(a) Business Development and HUBZone programs.
- And, know about the women owned small business and the veteran owned small business programs.
The U.S. government is the world's largest buyer of products and services. Purchases by military and civilian installations amount to nearly $350 billion a year, and include everything from complex space vehicles to janitorial services.

In short, the government buys just about every category of commodity and service available.
Small businesses have always been the engine for economic growth. They provide jobs, innovation and bring competition to the marketplace.

The Government’s procurement policy – which encourages “maximum practicable” prime and subcontracting opportunities for small businesses – is a catalyst for economic growth. With a government contracting market representing some $350 billion dollars, it makes solid economic sense to help small firms get their fair share of federal contract dollars.
Certain government programs apply only to small businesses. The question then becomes, what is a small business, or more specifically, how do you determine if you are a small business?

Over the years SBA has established and revised numerical definitions for all for-profit industries, and this numerical definition is called a "size standard." It is almost always stated either as the number of employees or average annual receipts of a business concern.

In addition to establishing eligibility for SBA programs, all federal agencies must apply SBA’s size standards for contracts to be awarded to small firms.

The referenced hyperlinks can be used to determine small business size eligibility and to learn more about size standards.
Prime contract assistance.
Helping small businesses benefit from federal prime contracts is an obligation of all federal agencies and a key responsibility of SBA and its staff.

Multiple programs and initiatives are available to support this effort. They include, government-wide contracting goals, small business set-asides, small business size standards and SBA’s Certificate of Competency program. Each of these programs is discussed in the following.
Contracting goals...

Federal statute defines government-wide prime contracting goals. Such goals represent a primary tool in helping small firms be considered for government contracts. SBA plays a pivotal role in administering the government-wide goals initiative and works with individual agencies.

The current, government-wide procurement goal is that at least 23% of all federal government contracting dollars should be awarded to small businesses.

In addition, targeted sub-goals are established for women-owned small businesses, small disadvantaged businesses, firms located in HUBZones and service disabled veteran-owned small businesses. These targeted goals are 5%, 5%, 3% and 3%, respectively, and are meant to be subsets of the overall small business goal of 23 percent.

These goals are important because federal agencies have an obligation to reach-out and consider different types of small businesses for procurement opportunities.
Set-asides...

Small business set-asides are a powerful tool for helping small firms win federal prime contracts.

Fundamentally, government buys that have an anticipated dollar value exceeding $3,000, but not over $150,000 are automatically reserved or set-aside for small businesses. This is required unless the contracting officer determines there is not a reasonable expectation of obtaining offers from two or more responsible small businesses.
Small business set-asides are influenced by the Rule of Two, the Non-manufacture Rule and Subcontracting Limitations. Further, contracts can be set-aside for small businesses certified in the 8(a) Business Development Program or the HUBZone Program. Or, they can be set-aside for qualified women owned small businesses or service disabled veteran owned small businesses.
For acquisitions over $150K – they too are to be set-aside for small business, when there is a reasonable expectation that offers will be obtained from at least two responsible small business concerns, and the award can be made at a fair market price.

It is important to note, consideration is first for a set-aside or sole source award under the 8(a), HUBZone, Service Disabled Veteran Owned Small Business or Woman Owned Small Business programs before a general small business set-aside. However there is no order of precedence among 8(a), HUBZone, SDVOSB or WOSB programs.
The non-manufacturer rule is an important provision impacting small business set-asides.

For small business set-asides, other than for construction or service contracts, the prime contractor must utilize a small business manufacturer — if the firm itself, is not doing the manufacturing to complete the work. In industries where the SBA determines there are no or very limited small business manufacturers, it may issue individual or class waivers to the non-manufacture rule.

It is important to note, for small business set-asides for supplies, the prime contractor must either qualify as a manufacturer or supply the product of a domestic small business manufacturer.

For acquisitions that are under $25,000, the rule does not apply. Use the FAR references to learn more about the specifics surrounding the Non-manufacture Rule.
## Subcontracting Limitations

### Prime Contract Assistance – Set-asides

- Applies to contracts set-aside for small businesses when the contract amount exceeds $150,000
  - Service: At least 50% of the contract cost for personnel must be expended for employees of the small business
  - Supply: Business must perform work for at least 50% of the cost of manufacturing the supplies, not including the cost of materials
  - General construction: Business must perform at least 15% of the cost of the contract, not including the cost of the materials, with its own employees.

- FAR Part 19.508-e
- FAR Part 19.811-3e

### Small Business Guide

Limitations on subcontracting apply to solicitations and contracts for supplies, services and construction, if any portion of the requirement is set-aside for small business and the contract amount exceeds $150,000.

This limitation applies to service contracts, such that at least 50% of the contract cost for personnel must be expended for employees of the small business. For supply contracts, the business must perform work for at least 50% of the cost of manufacturing the supplies, not including the cost of materials.

And finally for general construction contracts, the business must perform at least 15% of the cost of the contract, not including the cost of the materials, with its own employees. For construction by special trade contractors, the business must perform at least 25% of the cost of the contract, not including the cost of the materials, with its own employees.
Contracting officers can set-aside purchases for small firms certified in the 8(a) Business Development Program.

8(a) set-asides are a powerful tool for agencies to achieve small business and small disadvantaged business contracting goals. An 8(a) set-aside can be facilitated as a sole source or competitive acquisition.

More details about the 8(a) program are provided in a later section of this training program.
Contracting officers can also set-aside purchases for small businesses located in designated HUBZones.

To participate in this type of set-aside, a small firm’s principal office must be located in a HUBZone and at least 35% of the firm’s employees must reside within a HUBZone, or certify that at least 35% of its employees engaged in a HUBZone contract will reside in a HUBZone or Indian reservation.

The HUBZone program is discussed in greater detail later in this training program.
Changes to the Small Business Act now authorize contract set-asides for women owned small businesses and/or economically disadvantaged women owned small businesses.

These changes create opportunities for women entrepreneurs and will help agencies to meet government-wide contracting goals.

Specifics of the WOSB program are also discussed later in this training module.
A contracting officer can also set-aside acquisitions for Service Disabled Veteran Owned Small Businesses.

To participate in this type of set-aside, such businesses must be at least 51% owned and controlled by a service disabled veteran and the daily management operations of the concern must be controlled by a service-disabled veteran or caregiver. And, they must be a small business.
Small business size standards...

SBA has established and continually updates numerical definitions for all industries or NAICS codes. This numerical definition is called a small business size standard. It is almost always stated either as the number of employees or the average annual sales of the business concern.

All federal agencies must apply SBA’s size standards for contracts to be awarded to small firms. It is also important to note, only SBA can reconcile size protests.

Use the hyperlink to determine the applicable size standard for a specific NAICS code.
Certificate of Competency (COC)
Prime Contract Assistance

- If a prospective contractor is determined to be “non-responsible” by a contracting officer -- the small business is entitled to an independent review by the SBA
- SBA may issue a COC to the contracting officer requiring the award of that specific contract to the small business

Certificate of Competency...

The COC program is helpful to many small firms.

If a prospective small business contractor is determined to be “non-responsible” by the contracting officer, the contracting officer is required to refer the matter to the SBA for a Certificate of Competency or COC review. Based on the review, the SBA may issue a certificate of competency declaring the “referred company” -- as sufficiently responsible for the purposes of receiving and performing the specific contract.
Subcontracting assistance.
An alternative to seeking prime contracts is to explore subcontracting opportunities.

Subcontracting with a prime contractor can be a profitable experience as well as a growth opportunity for a small business. If your small business is not ready or lacks the capabilities to bid competitively for prime contracts, it should consider opportunities available through subcontracting. SBA maintains a database of subcontracting opportunities. This searchable database is called SUB-Net.
Prime contractors receiving contracts greater than the simplified acquisition threshold must agree in the contract that small businesses, specifically veteran-owned small businesses, service disabled veteran owned small businesses, women-owned small businesses, HUBZone small businesses, and small disadvantaged businesses – will have the maximum practical opportunity to participate as subcontractors.

As such, prime contractors are required to establish subcontracting plans describing who and how small businesses will participate as subcontractors.
Subcontracting plans are required for contracts over $1.5 million for construction and $6.5 million for all others. There are three types of subcontracting plans: individual, master and commercial subcontracting plans.

These written plans – which become part of the contracting file – are designed to describe specific efforts by a prime contractor to ensure that small businesses have an equitable opportunity to compete and participate as “subs” in specific contracts. The subcontracting plans may include specific goals and will define requirements for reports and documentation to be maintained.
Government-wide numerical subcontracting goals are established by statute for small disadvantaged businesses, women-owned small businesses, service disabled veteran owned small businesses and HUBZone certified small businesses.

All other subcontracting goals are negotiated between the respective government agency and the prime contractor.
Winning federal contracts

SBA Certification Programs

SBA certification programs.
SBA certifications...

SBA administers two certification programs designed to assist specific market groups in the government contracting space. These programs are the 8(a) Business Development Program and the HUBZone Program. Each of these programs represents an excellent vehicle for assisting small firms to win federal contracts. These programs also play a primary role in helping agencies achieve, respective SDB and HUBZone contracting goals.

Informal certification programs – for women and veterans – are also discussed later in this program.
The 8(a) Business Development Program is designed to assist eligible socially and economically disadvantaged small businesses. The program – which is primarily a business development program - provides qualified firms access to capital and credit, business counseling and training, and contracting opportunities.

Through the award of sole source and set-aside contracts, the 8(a) program provides market access and growth for qualified businesses. The program is an efficient contracting vehicle for achieving small business and SDB goals.

It is important to note – all 8(a) certified firms are also SDBs, but all small disadvantaged businesses are not necessarily 8(a) certified. Qualified firms can participate in the 8(a) program for up to nine years.
There are unique benefits to participants in the 8(a) program.

Certified firms can receive sole-source contracts, up to $4 million for goods and services requirements and up to $6.5 million for manufacturing requirements. Firms are also allowed to form joint ventures and teams to bid on contracts, giving them greater flexibility to compete for larger prime contracts.

8(a) certified firms can also participate in the Mentor-Protégé Program, giving them the opportunity to learn the ropes from other experienced 8(a) businesses.
To be eligible for participation in the 8(a) Business Development Program, the applicant must be a small business and be at least 51% owned and controlled by a socially and economically disadvantaged individual or individuals.

Certain individuals are presumed to be socially disadvantaged – they are African-Americans, Hispanic Americans, Asian Pacific Americans, Native Americans and Subcontinent Asian Americans. An individual who is not a member of one of the groups listed can be admitted to the program if he or she shows – through a preponderance of the evidence – that he or she is socially disadvantaged. The evidence can be based on color, ethnic origin, gender, physical handicap or geographic environment.

In addition, successful applicants to the 8(a) program will meet small business size standards and be in business for more than two years. Besides being unconditionally owned and controlled by one or more disadvantaged individuals, the owners must be US citizens, who are in good standing.
The Historically Underutilized Business Zone or HUBZone program is designed to help small businesses -- in certain urban, rural, BRAC, Indian reservation, and difficult development areas outside the U.S. mainland – to gain access to federal procurement opportunities.

It is a contracting preference program designed to stimulate economic development and create jobs. SBA certification is required.
The HUBZone program offers benefits to eligible firms.

A government-wide goal of 3% provides incentives for agencies to award contracts to certified HUBZone firms. In addition, certain contracts can be specifically set-aside for firms located within a HUBZone. And further, in some cases a 10% price evaluation preference may be applicable to a HUBZone certified firm. Review the FAR reference for additional information and clarity.
To be eligible for the HUBZone program a firm must be a small business, meeting SBA’s small business size standards. In addition, the business must be owned and controlled by at least 51% of US citizens, or a Community Development Corporation, an agricultural cooperative, or an Indian tribe.

Further, the firm’s principal office must be located within a designated HUBZone, which includes lands considered “Indian Country” and military facilities closed by the “Base Realignment and Closure Act. Importantly, the “principal office” is defined as the location where the greatest number of employees perform the majority of work. Also, at least 35% of the firm’s employees must live in a HUBZone.

Use the HUBZone maps tool to determine if your firm and employees are located in a designated HUBZone area.
Women and veterans programs.
Targeted contracting programs exist to help women-owned small businesses and small businesses owned by veterans and service-disabled veterans.
Women Owned Small Business Program…

Annual government-wide contracting goals have been legislatively established for women-owned small businesses. As such, 5 percent of the total value of all prime contracts and 5 percent of all subcontracts are to be awarded to women-owned small businesses.

However, the Small Business Act has been recently amended to authorize set-asides for women owned small businesses or economically disadvantaged women owned small businesses. These set-asides apply only to certain NAICS codes. The new program is defined as the Women Owned Small Business Contract Program or simply WOSB.
The new WOSB program opens doors for women entrepreneurs.

However, as mentioned, not all contract opportunities are eligible and there are limitations. The program is defined by several key tenets: it applies only to contracts in designated industries; only women-owned small businesses or economically disadvantaged women-owned small businesses are eligible; competition is required for all WOSB contract awards; and, participating women-owned businesses must be certified – through a self certifying process or from an SBA approved certifier.
It goes without saying that only women-owned businesses are eligible for the WOSB program.

A WOSB is defined as a small business that is at least 51% owned and controlled by one or more women who are US citizens. The ownership must be direct and not subject to conditions. A woman or women must manage the day to day operations of the business and be able to provide documents demonstrating that these requirements are satisfied.

An economically disadvantaged woman-owned small business must satisfy all conditions for a WOSB. In addition, a woman will be presumed economically disadvantaged if she has a personal net worth of less than $750,000, her adjusted gross annual income does not exceed $350,000 and the fair market value of all of her assets does not exceed $6 million.
Women business owners participating in the WOSB program must be certified.

Certification can be accomplished in two ways – through self certification or through a third party certifier.

A woman-owned small business or economically disadvantaged woman-owned small business can self certify -- to participate in the WOSB program. This can be done by first registering in the System for Award Management or SAM, as a woman-owned small business.

Other documents will be requested by the contracting officer. These documents will be used to validate that the business is an eligible small business, owned and controlled by one or more women. All certification documents for WOSBs or EDWOSBs will be maintained in the WOSB Program Repository that SBA will manage.

In addition, a WOSB or EDWOSB can be certified by a third party certifier.

A third party certifier is a federal agency, a state government, or a national certifying entity approved by the Small Business Administration to provide certifications of WOSBs or EDWOSBs. SBA will maintain a list of approved third party certifiers on its Website.
Veterans programs...

The Veterans Entrepreneurship and Small Business Development Act of 1999 defined veteran owned small businesses and service disabled veteran owned businesses. It also established government-wide contracting and subcontracting goals for service disabled veteran owned small businesses at 3 percent, respectively.

There are two key veterans contracting initiatives, the Service Disabled Veteran Owned Small Business Program and the Veterans First Contracting Program. Each is described in the following.
The Service Disabled Veteran Owned Small Business Procurement Program, more commonly referred to as SDVOSB, helps contracting officers and agencies to meet the 3 percent government-wide procurement goal for service disabled veteran owned small businesses. It is a program designed to help service disabled veteran owned firms to win federal contracts.

The program provides procuring agencies with authority to set acquisitions aside for exclusive competition among service disabled veteran owned small businesses, as well as the authority to make sole-source awards to service disabled veteran owned firms, if certain conditions are met.

Eligibility for this program is unique only to service disabled veteran owned small firms. In addition, service disabled veteran status is self-conveyed to the contracting officer without verification of veterans status from the VA or a third-party entity.
Under the SDVOSB program, the bidding firm is responsible for self-certifying or representing to the contracting officer that it is a service disabled veteran owned small business concern. A firm can do this by simply self-certifying through the government’s System for Award Management (SAM) – by declaring that it meets the definition of a service disabled veteran owned small business.

This is an important distinction from the Veterans First Contracting Program, which applies only to VA acquisitions and requires verification of veteran status through the VA in its Vendor Information Pages or VetBiz database. Agencies, other than VA, cannot require certification by the VA or placement in the VetBiz database. The Veterans First Contracting Program is discussed in the following section.

Guidance for self certification, under the SDVOSB procurement program is contained in 13 CFR Part 125.8 and FAR Subpart 19.307.
Slide 43

Veterans First Contracting Program
Women and Veterans Programs – Vets First Program

- Public Law 109-461 created the Veterans First Contracting Program
  - Applies only to VA acquisitions
  - Provides sole-source authority to the VA and permits restricted set-asides to both SDVOSBs and VOSBs.
  - Establishes contracting goals unique to the VA
    - 7% for veteran owned businesses
    - 10% for service disabled veteran owned businesses
  - Requires veteran status to be verified by the VA

Public Law 109-461 created the Veterans First Contracting Program, better known as the Vets First Program.

This program applies only to acquisitions made by the Department of Veterans Affairs. The 2006 law gives the VA sole-source contracting authority and permits restricted competition or set-asides for both service disabled veteran owned small businesses and veteran owned small businesses. It also establishes contracting goals unique to the Department of Veterans Affairs. The goals are 10% for veteran owned businesses and 7% for service disabled veteran owned businesses.

In addition, a key element of this program, making it very different from the SDVOSB procurement program, is that - veterans status - can not be self represented. Rather, status as a service disabled veteran owned small business or a veteran owned small business must be verified through the VA, by registering in the VA’s Vendor Information Pages or VIP database. The program is also unique in that it only applies to purchases made by the Department of Veterans Affairs.

By-the-way, the VA spends over $3 billion with eligible veteran owned small businesses each year. That’s a lot of opportunity.
The VA developed the verification assistance program to help veterans understand the verification policy and process.

As was previously mentioned, under the Veterans First Program, contract set-asides are available for veteran owned small businesses and service disabled small businesses.

However, an applicant or contract bidder’s veteran status must be verified to qualify. Verification is the process by which a veteran is evaluated and determined eligible to be listed in the Vendor Information Pages (VIP) database. This repository of verified veteran owned firms is also sometimes referred to as the VetBiz database.

The Center for Veterans Enterprise is the office within VA that manages the verification process and verifies VOSBs and SDVOSBs for inclusion in the VIP or VetBiz database.
Resources and tools.
Resources and Tools

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

Information is power. Numerous resources are available to help you better understand government contracting programs.
Learn from these resources and use them as tools.
Thank you for taking the time to learn about government contracting. Much material has been covered and we hope it was helpful. Please contact us with any additional questions you may have. Also, consider viewing other training modules in SBA’s online Government Contracting Classroom.

Thank you.
Hyperlinks Contained in the Workbook

- Federal Acquisition Regulations
  - https://www.acquisition.gov/far
- 13 CFR 124
- Acquisition Central
  - https://www.acquisition.gov/
- System for Award Management
  - http://www.sam.gov
- FAR Part 19 – Small Business Programs
  - http://www.acquisition.gov/far
- Access & Register in GLS
  - https://eweb.sba.gov/gls/dsp_addcustomer.cfm?IMAppSysTypNm=8ASDB
- Code of Federal Regulations (13CFR)
- Federal Business Opportunities
  - http://www.fbo.gov
- SBA-Government Contracting
- 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
  – Procurement Technical Assistance Center (PTAC)
  – SCORE chapter
  – Small Business Development Center
    • SBA/SBDC Program Office