Small Business Regulation and Legislation Update

Kenneth Dodds
Director,
Office of Policy, Planning & Liaison
Small Business Administration
July, 2018
Pending FAR Rules

- FAR Case 2016-11, Revision of Limitations on Subcontracting, Proposed Rule
- FAR Case 2017-19, Policy on Joint Ventures, Proposed Rule
- FAR Case 2014-002, Set Asides under Multiple Award Contracts, Final Rule
- FAR Case 2016-002, Applicability of Small Business Regulations Outside the United States, Proposed Rule
- FAR Case 2018-003, Credit for Lower-Tier Small Business Subcontracting Proposed Rule
Pending SBA Rules

  - LOS adjustments, order set asides, posting notice of bundling, PCR review of DOD overseas contracts, double credit for local area small business set asides, examples of bad faith in subcontracting proposed rule
- RIN 3245-AG85, Ownership and Control of Service-Disabled Veteran-Owned Small Business Concerns, Proposed Rule – 83 FR 4005
- RIN 3245-AG75, Women-Owned Small Business and Economically Disadvantaged Women-Owned Small Business -Certification Proposed Rule
- RIN 3245-AG38, Small Business HUBZone Program and Government Contracting Programs, Proposed Rule
- RIN 3245-AG94, Consolidation of Mentor Protégé Programs and Other Government Contracting Amendments, Proposed Rule
VA OHA Protests and Appeals Final Rule

- Protests of CVE eligibility and appeals of denials or cancellations of inclusion in the CVE database
- Effective October 1, 2018
- Implements portion of Section 1832 of the NDAA 2017
- Only applies to VA
- Non-VA SBA SDVO protest and appeal process remains
- 83 FR 13626 (March 30, 2018)
SBA Direct Final Rule

- 83 FR 12849

- March 26, 2018

- Effective May 25, 2018 unless significant adverse comment is received by April 25, 2018
§ 121.103 How does SBA determine affiliation?

(h)(3)(ii) Two firms approved by SBA to be a mentor and protege under § 125.9 of this chapter may joint venture as a small business for any Federal government prime contract or subcontract, provided the protege qualifies as small for the size standard corresponding to the NAICS code assigned to the procurement, and the joint venture meets the requirements of §§ 124.513 (c) and (d), §§ 125.8(b) and (c), §§ 125.18(b)(2) and (3), §§ 126.616(c) and (d), or §§ 127.506(c) and (d) of this chapter, as appropriate.
§ 121.404 When is the size status of a business concern determined?

(g) However, the following exceptions apply to this paragraph (g):
§ 121.406 How does a small business concern qualify to provide manufactured products or other supply items under a small business set-aside, service-disabled veteran-owned small business, HUBZone, WOSB or EDWOSB, or 8(a) contract?

(d) The performance requirements (limitations on subcontracting) and the nonmanufacturer rule do not apply to small business set-aside acquisitions with an estimated value between the micro-purchase threshold and the simplified acquisition threshold (as both terms are defined in the FAR at 48 CFR 2.101).
§ 125.6 What are the prime contractor's limitations on subcontracting?

(f) Inapplicability of the limitations on subcontracting. The limitations on subcontracting do not apply to:

(1) Small business set-aside contracts with a value that is greater than the micro-purchase threshold but less than or equal to the simplified acquisition threshold (as both terms are defined in the FAR at 48 CFR 2.101); or
SBA Direct Final Rule

- § 125.18 What requirements must an SDVO SBC meet to submit an offer on a contract?
- (e) (1) However, the following exceptions apply to this paragraph (e)(1):
- § 125.22 When may a contracting officer set-aside a procurement for SDVO SBCs?
- (a) The contracting officer first must review a requirement to determine whether it is excluded from SDVO contracting pursuant to § 125.21.
§ 125.23 When may a contracting officer award sole source contracts to SDVO SBCs?

(a) None of the provisions of §§ 125.21 or 125.22 apply;

(b) (1) $6,500,000 for a contract assigned a manufacturing NAICS code, or

(b) (2) $4,000,000 for all other contracts;
SBA Direct Final Rule

- Amend § 126.200 by removing the words "unconditionally and directly" in paragraph (b)(1)(i).

- 51% ownership by U.S. citizens
§ 126.601 What additional requirements must a qualified HUBZone SBC meet to bid on a contract?

(h) Recertification.
(1) However, the following exceptions apply to this paragraph (h)(1):

§ 126.612 When may a CO award sole source contracts to qualified HUBZone SBCs?

(b)(1) $ 7,000,000 for a contract assigned a manufacturing NAICS code, or
(2) $ 4,000,000 for all other contracts.
SBA Direct Final Rule

- Amend § 126.616 by removing the words "HUBZone protege" and adding in their place the words "HUBZone SBC" in paragraph (d)(2).

- § 127.503 When is a contracting officer authorized to restrict competition or award a sole source contract or order under this part?

- (h)(1) However, the following exceptions apply to this paragraph (h)(1):
NDAA 2018 Section 846

- Procurements under e-commerce portal shall not exceed SAT

- Commercial product means commercially available off-the-shelf items, but does not include services

- 3 years after contract is awarded, GAO shall report on, among other things, the effect of the program on agencies ability to meet SBC goals
NDAA 2018

- **Section 846 – Procurement through Commercial e-Commerce portals**
  - Phase I - 90 Days of enactment – Implementation Plan
  - Phase II - 1 year after submission of plan – report
  - Recommendations for changes or exemptions
  - Impact on MAS, SB set-asides, other preferences

- **Phase III – 2 years after implementation plan – issue guidance on use**

- **Additional Implementation Phases – selection of participating agencies, award of contracts**
NDAA 2018 Section 846

- A procurement of a product made through a commercial e-commerce portal under the program is deemed to be an award of a prime contract for purposes of the goals established under the Small Business Act if the purchase is from a supplier that is a small business concern.

- Nothing in this section shall be construed as limiting the authority of a department or agency to restrict competition to small business concerns.
NDAA 2018

- Section 805 – Simplified Acquisition Threshold increased to $250,000

- Section 806 – Micro-Purchase Threshold increased to $10,000

- Section 1702 – inserts SAT and MPT into Section 15(j) of the Small Business Act (the statutory SB reserve)
  - Replaces dollar amounts
NDAA 2018

- LOS and NMR will not apply to small business set-asides below $250,000

- Section 1702 also defines prime contract, for purposes of the Small Business Act, as a contract or contractual action entered into by the Federal Government to obtain supplies, materials, equipment, or services of any kind.

- (j) Small business reservation. (1) Each contract for the purchase of goods and services that has an anticipated value greater than MPT but not greater than SAT shall be reserved exclusively for small business concerns unless the contracting officer is unable to obtain offers from two or more small business concerns that are competitive with market prices and are competitive with regard to the quality and delivery of the goods or services being purchased.
NDAA 2018

- Section 1701 (HUBZone)
- Uses state median income to calculate status for nonmetropolitan county
- Base Closure Area will remain HUBZone for at least 8 years
- Re-designated area eligible for 3 years
- State governors may petition for HUBZone designation
- HUBZone application review within 60 days of complete application
NDAA 2018 – Section 1701

- HUBZone recertification no later than every 3 years

- Program Examination – if ineligible, firm has 30 days to show qualified, may not compete for HUBZone contracts during that time

- Map will not change until January 1, 2020, then will be updated every 5 years

- SBA must annually report on whether HUBZone is promoting economic development in distressed areas

- Everything except map freeze, will be effective January 1, 2020
While critical of DOD’s focus on dollars and contract awards to small business for goaling purposes, the panel does not recommend changes to goaling for DOD. The panel recognizes the importance of products and services to DOD that do not directly enhance warfighting capabilities and will outline alternative means for companies offering such support to sell to DOD in a future report.

- Prioritize working with SBCs that enhance warfighting capability
- Consolidate organization of DOD small business programs
- Better outreach and communication and clear points of entry (PTACs)
- Enhancements to SBIR, RIF, consortia and technology accelerators
- Allowing firm that outgrows size standard to remain small for three additional years unless acquired
Protest that BPA above the SAT under the FSS must be set aside for small business

Regulatory implementation of Small Business Act, rule of two does not apply to FSS

Kingdomware involved VA Act

Nothing in Kingdomware addresses FAR Part 19, 8.4 or SBA’s rules

CO has the discretionary authority to set aside an order against the FSS, but is not required to do so

B-416035, May 18, 2018
Category Management

- Agencies have “Spend Under Management” goals and “Best in Class” goals
- Agencies still have to meet STATUTORY small business and socioeconomic prime contracting goals
- FY 2017, 43% BIC dollars to SBCs
  - 25.7% SUM dollars to SBCs
  - 75% of BIC contractors are SBCs
- $22 Billion BIC spending out of $442 Billion
Contact Information

➤ Kenneth Dodds
  o Director, Office of Policy, Planning & Liaison
  o 202-619-1766
  o kenneth.dodds@sba.gov
  o www.sba.gov/oppl

➤ Questions?