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**Parent topic:** Federal Acquisition Regulation

## **19.000 Scope of part.**

(a) This part implements the *acquisition*-related sections of the Small Business Act (15 U.S.C. 631, et seq.), applicable sections of the Armed Services *Procurement Act* (10 U.S.C. 3063-3064 and 3203), 41 U.S.C. 3104, and Executive Order 12138, May 18, 1979. It covers—

- (1) The determination that a *concern* is eligible for participation in the programs identified in this part;
- (2) The respective roles of *executive agencies* and the Small Business Administration (SBA) in implementing the programs;
- (3) Setting *acquisitions* aside, in total or in part, for exclusive competitive participation by small business, 8(a) participants, *HUBZone* small business *concerns*, service-disabled veteran-owned small business (SDVOSB) *concerns* eligible under the SDVOSB Program, and economically disadvantaged women-owned small business (EDWOSB) *concerns* and women-owned small business (WOSB) *concerns* eligible under the WOSB Program;
- (4) The certificate of competency program;
- (5) The subcontracting assistance program;
- (6) The "8(a)" business development program (hereafter referred to as 8(a) program), under which agencies contract with the SBA for goods or services to be furnished under a subcontract by a *small disadvantaged business concern*;
- (7) The use of a price evaluation preference for *HUBZone* small business *concerns*;
- (8) The use of veteran-owned small business *concerns*;
- (9) Sole source awards to *HUBZone* small business *concerns*, service-disabled veteran-owned small business *concerns*, and EDWOSB *concerns* and WOSB *concerns* eligible under the WOSB Program; and
- (10) The use of reserves.

(b)

(1) Unless otherwise specified in this part (see Subpart 19.6 - Certificates of Competency and Determinations of Responsibility and Subpart 19.7 - The Small Business Subcontracting Program)—

(i) *Contracting officers shall apply this part in the United States and its outlying areas; and*

(ii) *Contracting officers may apply this part outside the United States and its outlying areas.*

(2) *Offerors that participate in any procurement under this part are required to meet the definition of "small business concern" at 2.101 and the definition of "concern" at 19.001.*

## **19.001 Definitions.**

As used in this part-

*Concern* means any business entity organized for profit (even if its ownership is in the hands of a nonprofit entity) with a place of business located in the *United States* or its *outlying areas* and that makes a significant contribution to the U.S. economy through payment of taxes and/or use of American *products*, material and/or labor, etc. "*Concern*" includes but is not limited to an individual, partnership, corporation, joint venture, association, or cooperative. For more information, see 13 CFR 121.105.

*Fair market price* means a price based on reasonable costs under normal competitive conditions and not on lowest possible cost (see 19.202-6).

*Industry* means all *concerns* primarily engaged in similar lines of activity, as listed and described in the North American *Industry Classification System* (NAICS) manual.

*Similarly situated entity* means a first-tier subcontractor, including an independent contractor, that—

(1) Has the same small business program status as that which qualified the prime contractor for the award (*e.g.*, for a small business set-aside contract, any small business *concern*, without regard to socioeconomic status); and

(2) Is considered small for the size standard under the NAICS code the prime contractor assigned to the subcontract.

## **Subpart 19.1 - Size Standards**

### **19.101 [Reserved]**

### **19.102 Small business size standards and North American Industry Classification System codes.**

(a) *Locating size standards and North American Industry Classification System codes.*

(1) SBA establishes small business size standards on an *industry-by-industry* basis. Small business size standards and corresponding North American *Industry Classification System* (NAICS) codes are provided at 13 CFR 121.201. They are also available at <https://www.sba.gov/document/>

support--table-size-standards .

(2) NAICS codes are updated by the Office of Management and Budget through its Economic Classification Policy Committee every five years. New NAICS codes are not available for use in Federal *contracting* until SBA publishes corresponding size standards. NAICS codes are available from the U.S. Census Bureau at <https://www.census.gov/naics/>.

(3) SBA determines the size status of a *concern*, including its *affiliates*, as of the date the *concern* represents that it is small to the *contracting officer* as part of its initial *offer*, which includes price.

(4) When an agency uses a *solicitation* for a *multiple-award contract* that does not require *offers* for the contract to include price, SBA determines size as of the date of initial *offer* for the *multiple-award contract*, whether or not the *offer* includes price or the price is evaluated. (See 13 CFR 121.404(a)(1)(iv)).

(b) *Determining the appropriate NAICS codes for the solicitation.*

(1) Unless required to do otherwise by paragraph (b)(2)(ii)(B) of this section, *contracting officers shall* assign one NAICS code and corresponding size standard to all *solicitations*, contracts, and task and *delivery orders*. The *contracting officer shall* determine the appropriate NAICS code by classifying the product or service being acquired in the one *industry* that best describes the principal purpose of the supply or service being acquired. Primary consideration is given to the *industry* descriptions in the U.S. NAICS Manual, the product or service descriptions in the *solicitation*, the relative value and importance of the *components* of the requirement making up the end item being procured, and the function of the goods or services being purchased. A *procurement* is usually classified according to the *component* that accounts for the greatest percentage of contract value.

(2)

(i) For *solicitations* issued on or before October 1, 2028, that will result in *multiple-award contracts*, the *contracting officer shall* assign a NAICS code in accordance with paragraph (b)(1) of this section.

(ii) For *solicitations* issued after October 1, 2028, that will result in *multiple-award contracts*, the *contracting officer shall*-

(A) Assign a single NAICS code (and corresponding size standard) that best describes the principal purpose of both the *acquisition* and each subsequent order; or

(B) Divide the *acquisition* into distinct portions or categories (*e.g., line item numbers, Special Item Numbers, sectors, functional areas, or equivalent*) and assign each portion or category a single NAICS code and size standard that best describes the principal purpose of the *supplies* or services to be acquired under that distinct portion or category.

(3)

(i) When placing orders under *multiple-award contracts* with a single NAICS code, the *contracting officer shall* assign the order the same NAICS code and corresponding size standard designated in the contract.



(ii) When placing orders under *multiple-award contracts* with more than one NAICS code, the *contracting officer shall* assign the order the NAICS code and corresponding size standard designated in the contract for the distinct portion or category against which the order is placed. If an order covers multiple portions or categories, select the NAICS code and corresponding size standard designated in the contract for the distinct portion or category that best represents the principal purpose of the order.

(4) The *contracting officer's* designation is final unless appealed in accordance with the procedures in [19.103](#).

(c) *Application of small business size standards to solicitations.*

(1) The *contracting officer shall* apply the size standard in effect on the date the *solicitation* is issued.

(2) The *contracting officer may* amend the *solicitation* and use the new size standard if SBA amends the size standard and it becomes effective before the due date for receipt of initial *offers*.

### **19.103 Appealing the contracting officer's North American Industry Classification System code and size standard determination.**

(a) The *contracting officer's* determination is final unless appealed as follows:

(1) An appeal of a *contracting officer's* NAICS code designation and the applicable size standard *shall* be served and filed within 10 calendar days after the issuance of the initial *solicitation* or any amendment affecting the NAICS code or size standard. However, SBA *may* file a NAICS code appeal at any time before *offers* are due.

(2) Appeals of a *contracting officer's* NAICS code designation or applicable size standard *may* be filed with SBA's Office of Hearings and Appeals (OHA) by—

(i) Any person adversely affected by a NAICS code designation or applicable size standard. However, with respect to a particular sole source 8(a) contract, only the SBA Associate Administrator for Business Development *may* appeal a NAICS code designation; or

(ii) The Associate or Assistant Director for the SBA program involved, through SBA's Office of General Counsel.

(3) *Contracting officers shall* advise the public, by amendment to the *solicitation*, of the existence of a NAICS code appeal (see [5.102\(a\)\(1\)](#)). Such notices *shall* include the procedures and the deadline for interested parties to file and serve arguments concerning the appeal.

(4) SBA's OHA will dismiss summarily an untimely NAICS code appeal.

(5) NAICS code appeals are filed in accordance with [13 CFR 121.1103](#).

(6) Upon receipt of a NAICS code appeal, OHA will notify the *contracting officer* by a notice and order of the date OHA received the appeal, the docket number, and the Administrative Judge assigned to the case. The *contracting officer's* response to the appeal, if any, *shall* include argument and evidence (see [13 CFR part 134](#)), and *shall* be received by OHA within 15 calendar days from the

date of the docketing notice and order, unless otherwise specified by the Administrative Judge. Upon receipt of OHA's docketing notice and order, the *contracting officer shall* withhold award, unless withholding award is not in the best interests of the Government, and immediately send to OHA an electronic link to or a paper copy of both the original *solicitation* and all amendments relating to the NAICS code appeal. The *contracting officer shall* inform OHA of any amendments, actions, or developments concerning the *procurement* in question.

(7) After close of record, OHA will issue a decision and inform the *contracting officer*. If OHA's decision is received by the *contracting officer* before the date the *offers* are due, the decision *shall* be final and the *solicitation shall* be amended to reflect the decision, if appropriate. OHA's decision received after the due date of the initial *offers shall* not apply to the pending *solicitation* but *shall* apply to future *solicitations* of the same *products* or services.

(b) SBA's regulations concerning appeals of NAICS code designations are located at [13 CFR 121.1102](#) to [121.1103](#) and [13 CFR part 134](#).

## Subpart 19.2 - Policies

### 19.201 General policy.

(a) It is the policy of the Government to provide maximum practicable opportunities in its *acquisitions* to small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and *women-owned small business concerns*. Such *concerns must* also have the maximum practicable opportunity to participate as subcontractors in the contracts awarded by any *executive agency*, consistent with efficient contract performance. The Small Business Administration (SBA) counsels and assists small business *concerns* and assists *contracting* personnel to ensure that a fair proportion of contracts for *supplies* and services is placed with small business.

(b) Heads of *contracting activities* are responsible for effectively implementing the small business programs within their activities, including achieving program goals. They are to ensure that *contracting* and technical personnel maintain knowledge of small business program requirements and take all reasonable action to increase participation in their activities' *contracting* processes by these businesses.

(c) The Small Business Act requires each agency with *contracting* authority to establish an *Office of Small and Disadvantaged Business Utilization* (see section 15(k) of the Small Business Act). For the Department of Defense, in accordance with section 904 of [Public Law 109-163](#) ([10 U.S.C. 144](#) note), the *Office of Small and Disadvantaged Business Utilization* has been redesignated as the Office of Small Business Programs. Management of the office is the responsibility of an officer or employee of the agency who, in carrying out the purposes of the Act—

(1) Is known as the Director of the *Office of Small and Disadvantaged Business Utilization*, or for the Department of Defense, the Director of the Office of Small Business Programs;

(2) Is appointed by the *agency head*;

(3) Is responsible to and reports directly to the *agency head* or the deputy to the *agency head* (except that for the Department of Defense, the Director of the Office of Small Business Programs reports to the Secretary or the Secretary's designee);

(4) Is responsible for the agency carrying out the functions and duties in sections 8, 15, 31, 36, and 44 of the Small Business Act;

(5) Works with the SBA *procurement* center representative (PCR) (or, if a PCR is not assigned, see [19.402\(a\)](#)) to identify proposed *solicitations* that involve *bundling* and work with the agency *acquisition* officials and SBA to revise the *acquisition* strategies for such proposed *solicitations* to increase the probability of participation by small businesses;

(6) Assists small business *concerns* in obtaining payments under their contracts, late payment interest penalties, or information on contractual payment provisions;

(7) Has supervisory authority over agency personnel to the extent that their functions and duties relate to sections 8, 15, 31, 36, and 44 of the Small Business Act;

(8) Assigns a small business technical advisor to each *contracting activity* within the agency to which the SBA has assigned a representative (see [19.402](#))—

(i) Who is a full-time employee of the *contracting activity*, well qualified, technically trained, and familiar with the *supplies* or services contracted for by the activity; and

(ii) Whose principal duty is to assist the SBA's assigned representative in performing functions and duties relating to sections 8, 15, 31, 36, and 44 of the Small Business Act;

(9) Cooperates and consults on a regular basis with the SBA in carrying out the agency's functions and duties in sections 8, 15, 31, 36, and 44 of the Small Business Act;

(10) Makes recommendations in accordance with agency procedures as to whether a particular *acquisition should* be awarded under subpart [19.5](#) as a small business set-aside, under subpart [19.8](#) as a section 8(a) award, under subpart [19.13](#) as a *HUBZone* set-aside, under subpart [19.14](#) as a set-aside service-disabled veteran-owned small business (SDVOSB) *concerns* eligible under the SDVOSB Program, or under subpart [19.15](#) as a set-aside for economically disadvantaged women-owned small business (EDWOSB) *concerns* or women-owned small business (WOSB) *concerns* eligible under the WOSB Program;

(11) Conducts annual reviews to assess the—

(i) Extent to which small businesses are receiving a fair share of Federal *procurements*, including contract opportunities under the programs administered under the Small Business Act;

(ii) Adequacy of consolidated or bundled contract documentation and justifications; and

(iii) Actions taken to mitigate the effects of necessary and justified consolidation or *bundling* on small businesses.

(12) Provides a copy of the assessment made under paragraph (c)(11) of this section to the *Agency Head* and SBA Administrator;

(13) Provides to the *chief acquisition officer* and *senior procurement executive* advice and comments on *acquisition* strategies, *market research*, and justifications related to consolidation of contract requirements;

(14) When notified by a small business *concern* prior to the award of a contract that the small business *concern* believes that a *solicitation*, request for proposal, or request for quotation unduly

restricts the ability of the small business *concern* to compete for the award-

(i) Submits the notification by the small business *concern* to the *contracting officer* and, if necessary, recommends ways in which the *solicitation*, request for proposal, or request for quotation *may* be altered to increase the opportunity for competition; and

(ii) Informs the advocate for competition of such agency (as established under 41 U.S.C 1705 or 10 U.S.C. 3249) of such notification;

(15) Ensures agency purchases using the Governmentwide purchase card that are greater than the *micro-purchase threshold* and less than the *simplified acquisition threshold* were made in compliance with the Small Business Act and were properly recorded in accordance with subpart 4.6 in the Federal *Procurement* Data System;

(16) Assists small business contractors and subcontractors in finding resources for education and training on compliance with *contracting* regulations;

(17) Reviews all subcontracting plans required by 19.702(a) to ensure the plan provides maximum practicable opportunity for small business *concerns* to participate in the performance of the contract; and

(18) Performs other duties listed at 15 U.S.C. 644(k).

(d) Small business specialists *shall* be appointed and act in accordance with agency regulations.

(1) The *contracting activity shall* coordinate with the small business specialist as early in the *acquisition planning* process as practicable, but no later than 30 days before the issuance of a *solicitation*, or prior to placing an order without a *solicitation* when the *acquisition* meets the dollar thresholds set forth at 7.107-4(a)(1). See also 7.104(d).

(2) The small business specialist *shall* notify the agency's Director of the *Office of Small and Disadvantaged Business Utilization*, and for the Department of Defense, the Director of the Office of Small Business Programs, when the criteria relating to substantial *bundling* at 7.107-4(a)(1) are met.

(3) The small business specialist *shall* coordinate with the *contracting activity* and the SBA PCR on all determinations and findings required by 7.107 for consolidation or *bundling* of contract requirements.

## **19.202 Specific policies.**

In order to further the policy in 19.201 (a), *contracting officers shall* comply with the specific policies listed in this section and *shall* consider recommendations of the agency Director of the *Office of Small and Disadvantaged Business Utilization*, or for the Department of Defense, the Director of the Office of Small Business Programs, or the Director's designee, as to whether a particular *acquisition should* be awarded under subpart 19.5, 19.8, 19.13, 19.14, or 19.15. Agencies *shall* establish procedures including dollar thresholds for review of *acquisitions* by the Director or the Director's designee for the purpose of making these recommendations. The *contracting officer shall* document the contract file whenever the Director's recommendations are not accepted, in accordance with 19.506.

## **19.202-1 Encouraging small business participation in acquisitions.**

Small business *concerns* shall be afforded an equitable opportunity to compete for all contracts that they can perform to the extent consistent with the Government's interest. When applicable, the *contracting officer* shall take the following actions:

(a) Divide proposed *acquisitions of supplies* and services (except *construction*) into reasonably small lots (not less than economic production runs) to permit *offers* on quantities less than the total requirement.

(b) Plan *acquisitions* such that, if practicable, more than one small business *concern* may perform the work, if the work exceeds the amount for which a *surety* may be guaranteed by SBA against loss under [15 U.S.C. 694b](#) (see definition of "Applicable Statutory Limit" at [13 CFR 115.10](#)).

(c) Ensure that delivery schedules are established on a realistic basis that will encourage small business participation to the extent consistent with the actual requirements of the Government.

(d) Encourage prime contractors to subcontract with small business *concerns* (see [subpart 19.7](#)).

(e)

(1) Provide a copy of the proposed *acquisition* package and other reasonably obtainable information related to the *acquisition* to the SBA PCR (or, if a PCR is not assigned, see [19.402\(a\)](#)) at least 30 days prior to the issuance of the *solicitation* if—

(i) The proposed *acquisition* is for *supplies* or services currently being provided by a small business and the proposed *acquisition* is of a quantity or estimated dollar value, the magnitude of which makes it unlikely that small businesses can compete for the prime contract;

(ii) The proposed *acquisition* is for *construction* and seeks to package or consolidate discrete *construction* projects and the magnitude of this consolidation makes it unlikely that small businesses can compete for the prime contract;

(iii) The proposed *acquisition* is for a consolidated or bundled requirement. (See [7.107-5\(a\)](#) for mandatory 30-day notice requirement to incumbent small business *concerns*.) The *contracting officer* shall provide all information relative to the justification for the consolidation or *bundling*, including the *acquisition* plan or strategy, and if the *acquisition* involves substantial *bundling*, the information identified in [7.107-4](#). The *contracting officer* shall also provide the same information to the agency Office of Small and Disadvantaged Business Utilization: or

(iv) The *acquisition* will be reviewed at the PCR's discretion.

(2) For *acquisitions* described in paragraph (e)(1)(i) through (iii) of this section, provide a statement explaining why the—

(i) Proposed *acquisition* cannot be divided into reasonably small lots (not less than economic production runs) to permit *offers* on quantities less than the total requirement;

(ii) Delivery schedules cannot be established on a realistic basis that will encourage small business participation to the extent consistent with the actual requirements of the Government;

(iii) Proposed *acquisition* cannot be structured so as to make it likely that small businesses can

compete for the prime contract;

(iv) Consolidated *construction* project cannot be acquired as separate discrete projects; or

(v) Consolidation or *bundling* is necessary and justified.

(3) Process the 30-day notification concurrently with other processing steps required prior to the issuance of the *solicitation*.

(4) If the *contracting officer* rejects the SBA PCR's recommendation made in accordance with [19.402\(c\)\(2\)](#), document the basis for the rejection and notify the SBA PCR in accordance with [19.502-8](#).

### **19.202-2 Locating small business sources.**

The *contracting officer shall*, to the extent practicable, encourage maximum participation by small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and *women-owned small business concerns* in *acquisitions* by taking the following actions:

(a) Before issuing *solicitations*, make every reasonable effort to find additional small business *concerns* (see [10.002\(b\)\(2\)](#)). This effort *should* include contacting the agency small business specialist and SBA PCR (or, if a PCR is not assigned, see [19.402\(a\)](#)).

(b) Publicize *solicitations* and contract awards through the *Governmentwide point of entry* (see [subparts 5.2](#) and [5.3](#)).

### **19.202-3 Equal low bids.**

In the event of equal low bids (see [14.408-6](#)), awards *shall* be made first to small business *concerns* which are also *labor surplus area concerns*, and second to small business *concerns* which are not also *labor surplus area concerns*.

### **19.202-4 Solicitation.**

The *contracting officer shall* encourage maximum response to *solicitations* by small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and *women-owned small business concerns* by taking the following actions:

(a) Allow the maximum amount of time practicable for the submission of *offers*.

(b) Furnish specifications, plans, and drawings with *solicitations*, or furnish information as to where they *may* be obtained or examined.

(c) Provide to any small business *concern*, upon its request, a copy of *solicitations* with respect to any contract to be let, the name and telephone number of an agency contact to answer questions related to such prospective contract and adequate citations to each major Federal law or agency

rule with which such business *concern must* comply in performing such contract other than laws or agency rules with which the small business *must* comply when doing business with other than the Government.

#### **19.202-5 Data collection and reporting requirements.**

Agencies *shall* measure the extent of small business participation in their *acquisition* programs by taking the following actions:

(a) Require each prospective contractor to represent whether it is a small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, women-owned small business, EDWOSB *concern*, or WOSB *concern* eligible under the WOSB Program (see the provision at 52.219-1, Small Business Program Representations).

(b) Accurately measure the extent of participation by small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and *women-owned small business concerns* in Government *acquisitions* in terms of the total value of contracts placed during each fiscal year, and report data to the SBA at the end of each fiscal year (see subpart 4.6).

(c) When the contract includes the clause at 52.219-28, Post Award Small Business Program Rerepresentation, and the conditions in the clause for rerepresenting are met—

(1) Require a contractor that represented itself as any of the small business *concerns* identified in 19.000(a)(3) prior to award of the contract to rerepresent its size and socioeconomic status (*i.e.*, 8(a), small disadvantaged business, *HUBZone* small business, service-disabled veteran-owned small business, EDWOSB, or WOSB status); and

(2) Permit a contractor that represented itself as other than a small business *concern* prior to award to rerepresent its size status.

#### **19.202-6 Determination of fair market price.**

(a) The *fair market price shall* be the price achieved in accordance with the reasonable price guidelines in 15.404-1(b) for-

(1) Total and partial small business set-asides, and reserves (see subpart 19.5);

(2) *HUBZone* set-asides (see subpart 19.13);

(3) Contracts utilizing the price evaluation preference for *HUBZone* small business *concerns* (see subpart 19.13);

(4) Set-asides for SDVOSB *concerns* eligible under the SDVOSB Program (see subpart 19.14);

(5) Set-asides for EDWOSB *concerns* and WOSB *concerns* eligible under the WOSB Program (see subpart 19.15).

(b) For 8(a) contracts, both with respect to meeting the requirement at 19.806(b) and in order to accurately estimate the current *fair market price*, *contracting officers shall* follow the procedures at

19.807.

### **19.203 Relationship among small business programs.**

(a) *General.* There is no order of precedence among the 8(a) Program (subpart 19.8), *HUBZone* Program (subpart 19.13), *Service-Disabled Veteran-Owned Small Business (SDVOSB) Program* (subpart 19.14), or the Women-Owned Small Business (WOSB) Program (subpart 19.15).

(b) *At or below the simplified acquisition threshold.* For *acquisitions* of *supplies* or *services* that have an anticipated dollar value above the *micro-purchase* threshold, but at or below the *simplified acquisition threshold*, the requirement at 19.502-2(a) to set aside *acquisitions* for small business *concerns* does not preclude the *contracting officer* from awarding a contract to a small business under the 8(a) Program, *HUBZone* Program, SDVOSB Program, or WOSB Program.

(c) *Above the simplified acquisition threshold.* For *acquisitions* of *supplies* or *services* that have an anticipated dollar value exceeding the *simplified acquisition threshold* definition at 2.101, the *contracting officer* shall first consider an *acquisition* for the small business socioeconomic *contracting* programs (*i.e.*, 8(a), *HUBZone*, SDVOSB, or WOSB programs) before considering a small business set-aside (see 19.502-2(b)). However, if a requirement has been accepted by the SBA under the 8(a) Program, it *must* remain in the 8(a) Program unless the SBA agrees to its release in accordance with 13 CFR parts 124, 126, 127, and 128.

(d) In determining which socioeconomic program to use for an *acquisition*, the *contracting officer* *should* consider, at a minimum-

(1) Results of *market research* that was done to determine if there are socioeconomic firms capable of satisfying the agency's requirement; and

(2) Agency progress in fulfilling its small business goals.

(e) Small business set-asides have priority over *acquisitions* using *full and open competition*. See requirements for establishing a small business set-aside at subpart 19.5.

## **Subpart 19.3 - Determination of Small Business Size and Status for Small Business Programs**

### **19.301 Representations and rerepresentations.**

#### **19.301-1 Representation by the offeror.**

(a)

(1) To be eligible for award as a small business *concern* identified in 19.000(a)(3), an *offeror* is required to represent in good faith—



(i)

(A) That it meets the small business size standard corresponding to the North American *Industry Classification System* (NAICS) code identified in the *solicitation*; or

(B) For a *multiple-award contract* where there is more than one NAICS code assigned, that it meets the small business size standard for each distinct portion or category ( *e.g.*, *line item numbers*, *Special Item Numbers (SINs)*, *sectors*, *functional areas*, or the equivalent) for which it submits an *offer*. If the small business *concern* submits an *offer* for the entire *multiple-award contract*, it *must* meet the size standard for each distinct portion or category ( *e.g.*, *line item number*, *SIN*, *sector*, *functional area*, or equivalent); and

(ii) The Small Business Administration (SBA) has not issued a written determination stating otherwise pursuant to [13 CFR 121.1009](#).

(2)

(i) A joint venture *may* qualify as a small business *concern* if the joint venture complies with the requirements of [13 CFR 121.103\(h\)](#) and [13 CFR 125.8\(a\)](#) and (b) and if—

(A) Each party to the joint venture qualifies as small under the size standard for the *solicitation*; or

(B) The protégé is small under the size standard for the *solicitation* in a joint venture comprised of a mentor and protégé with an approved mentor-protégé agreement under an SBA mentor-protégé program.

(ii) A joint venture *may* qualify for an award under the socioeconomic programs as described in subparts [19.8](#), [19.13](#), [19.14](#), and [19.15](#).

(b) An *offeror* is required to represent its size and socioeconomic status *in writing* to the *contracting officer* at the time of initial *offer*, (whether or not the *offer* includes price or the price is evaluated), including *offers* for—

(1) Basic ordering agreements (see [16.703](#)); and

(2) Blanket purchase agreements (BPAs) issued pursuant to [part 13](#).

(c) To be eligible for an award of an order under a basic ordering agreement or a BPA issued pursuant to [part 13](#) as a small business *concern* identified in [19.000\(a\)\(3\)](#), the *offeror must* be a small business *concern* identified in [19.000\(a\)\(3\)](#) at the time of award of the order.

(d) To be eligible for an award under the *HUBZone* Program (see [subpart 19.13](#)), a *HUBZone* small business *concern must* be a *HUBZone* small business *concern* at the time of initial *offer*.

(e) *Multiple-award contract* representations:

(1) A business that represents as a small business *concern* at the time of its initial *offer* for the contract (whether or not the *offer* includes price or the price is evaluated (see [13 CFR 121.404\(a\)\(1\)\(iv\)](#)), is considered a small business *concern* for each order issued under the contract (but see [19.301-2](#) for rerepresentations).

(2) A business that represents as a small business *concern* at the time of its initial *offer* for a distinct portion or category as set forth in paragraph (a)(1)(ii) is considered a small business *concern* for

each order issued under that distinct portion or category (but see [19.301-2](#) for rerepresentations).

(f) The *contracting officer* shall accept an *offeror's* representation in a specific bid or proposal that it is a small business unless (1) another *offeror* or interested party challenges the *concern's* small business representation or (2) the *contracting officer* has a reason to question the representation. Challenges of and questions concerning a specific representation shall be referred to the SBA in accordance with [19.302](#).

(g) An *offeror's* representation that it is a small business is not binding on the SBA. If an *offeror's* small business status is challenged, the SBA will evaluate the status of the *concern* and make a determination, which will be binding on the *contracting officer*, as to whether the *offeror* is a small business. A *concern* cannot become eligible for a specific award by taking action to meet the definition of a small business *concern* after the SBA has determined that it is not a small business.

(h) If the SBA determines that the status of a *concern* as a small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, or women-owned small business has been misrepresented in order to obtain a set-aside contract, an 8(a) subcontract, a subcontract that is to be included as part or all of a goal contained in a subcontracting plan, or a prime or subcontract to be awarded as a result, or in furtherance of any other provision of Federal law that specifically references Section 8(d) of the Small Business Act for a definition of program eligibility, the SBA may take action as specified in Sections 16(a) or 16(d) of the Act. If the SBA declines to take action, the agency may initiate the process. The SBA's regulations on penalties for misrepresentations and false statements are contained in 13 CFR 121.108 for small business, 13 CFR 124.501 for 8(a) small business, 13 CFR 128.600 for veteran or service-disabled veteran-owned small business, 13 CFR 126.900 for *HUBZone* small business, and 13 CFR 127.700 for economically disadvantaged *women-owned small business concerns* and women-owned small business (WOSB) *concerns* eligible under the WOSB Program.

### **19.301-2 Rerepresentation by a contractor that represented itself as a small business concern.**

(a) *Definition.* As used in this subsection-

*Long-term contract* means a contract of more than five years in duration, including *options*. However, the term does not include contracts that exceed five years in duration because the period of performance has been extended for a cumulative period not to exceed six months under the clause at [52.217-8](#), *Option to Extend Services*, or other appropriate authority.

(b) A contractor that represented itself as any of the small business *concerns* identified in [19.000\(a\)\(3\)](#) before contract award is required to rerepresent its size and socioeconomic status—

(1) For the NAICS code(s) in the contract-

(i) Within 30 days after execution of a *novation agreement* or within 30 days after modification of the contract to include the clause at [52.219-28](#), *Post-Award Small Business Program Rerepresentation*, if the *novation agreement* was executed prior to inclusion of this clause in the contract;

(ii) Within 30 days after a merger or *acquisition* (whether the contractor acquires or is acquired by another company) of the contractor that does not require novation or within 30 days after modification of the contract to include the clause at [52.219-28](#), *Post-Award Small Business Program Rerepresentation*, if the merger or *acquisition* occurred prior to inclusion of this clause in the

contract;

(iii) For long-term contracts-

(A) Within 60 to 120 days prior to the end of the fifth year of the contract; and

(B) Within 60 to 120 days prior to the date specified in the contract for exercising any *option* thereafter; or

(2) For the NAICS code assigned to an order under a *multiple-award contract*, if the *contracting officer* requires contractors to rerepresent their size and socioeconomic status for that order.

(c) A contractor is required to rerepresent its size status in accordance with the size standard in effect at the time of its rerepresentation that corresponds to the NAICS code that was initially assigned to the contract. For *multiple-award contracts* where there is more than one NAICS code assigned, the contractor is required to rerepresent its size status for each NAICS code assigned to the contract.

(d)

(1) *Contract rerepresentation.* After a contractor rerepresents for a contract that it no longer qualifies as a small business *concern* identified in 19.000(a)(3) in accordance with 52.219-28, the agency *may* no longer include the value of *options* exercised, modifications issued, orders issued, or purchases made under BPAs on that contract in its small business prime *contracting* goal achievements. When a contractor's rerepresentation for a contract qualifies it as a different small business *concern* identified in 19.000(a)(3) than what it represented for award, the agency *may* include the value of *options* exercised, modifications issued, orders issued, or purchases made under BPAs on that contract in its small business prime *contracting* goal achievements, consistent with the rerepresentation. Agencies *should* issue a modification to the contract capturing the rerepresentation and report it to FPDS within 30 days after notification of the rerepresentation.

(2) *Rerepresentation for a task or delivery order.*

(i) When a contractor rerepresents for an order that it no longer qualifies as a small business *concern* identified in 19.000(a)(3), the agency cannot include the value of the order in its small business prime *contracting* goal achievements. When a contractor's rerepresentation for an order qualifies it as a different small business *concern* identified in 19.000(a)(3) than what it represented for contract award, the agency can include the value of the order in its small business prime *contracting* goal achievement, consistent with the rerepresentation.

(ii) A rerepresentation for an order does not change the size or socioeconomic status representation for the contract.

(e) A change in size status does not change the terms and conditions of the contract. However, the *contracting officer* *may* require a subcontracting plan for a contract containing 52.219-9, Small Business Subcontracting Plan, if a prime contractor's size status changes from small to other than small as a result of a size rerepresentation (see 19.705-2(b)(3)).

### **19.301-3 Rerepresentation by a contractor that represented itself as other than a small business concern.**

A contractor that represented itself as other than small before contract award *may*, but is not required to, rerepresent its size status when-

- (a) The conditions in [19.301-2\(b\)](#) apply; and
- (b) The contractor qualifies as a small business *concern* under the applicable size standard in effect at the time of its rerepresentation.

### **19.302 Protesting a small business representation or rerepresentation.**

- (a)
  - (1) The SBA regulations on small business size and size protests are found at [13 CFR part 121](#).
  - (2) An *offeror*, the *contracting officer*, SBA, or another interested party *may* protest the small business representation of an *offeror* in a specific *offer* for a contract. However, for competitive 8(a) contracts, the filing of a protest is limited to an *offeror*, the *contracting officer*, or SBA. See [13 CFR 121.1001\(a\)](#).
  - (b) Any time after *offers* are received by the *contracting officer*, or in the case of bids, opened, the *contracting officer may* question the small business representation of any *offeror* in a specific *offer* by filing a *contracting officer's* protest (see paragraph (c) of this section).
- (c)
  - (1) Any *contracting officer* who receives a protest, whether timely or not, or who, as the *contracting officer*, wishes to protest the small business representation of an *offeror*, or rerepresentation of a contractor, *shall* promptly forward the protest to the SBA Government *Contracting* Area Director at the Government *Contracting* Area Office serving the area in which the headquarters of the *offeror* is located.
  - (2) The protest, or confirmation if the protest was initiated orally, *shall be in writing* and *shall* contain the basis for the protest with specific, detailed evidence to support the allegation that the *offeror* is not small. The SBA will dismiss any protest that does not contain specific grounds for the protest.
  - (3) The protest *shall* include a referral letter written by the *contracting officer* with information pertaining to the *solicitation*. The referral letter *must* include the following information to allow SBA to determine timeliness and standing:
    - (i) The protest and any accompanying materials.
    - (ii) A copy of the size self-certification.
    - (iii) Identification of the applicable size standard.

- (iv) A copy or an electronic link to the *solicitation* and any amendments.
  - (v) The name, address, telephone number, email address, and fax number of the *contracting officer*.
  - (vi) Identification of the bid opening date or the date of notification provided to unsuccessful *offerors*.
  - (vii) The date the *contracting officer* received the protest.
  - (viii) A complete address and point of contact for the protested *concern*.
- (d) In order to affect a specific *solicitation*, a protest *must* be timely. SBA's regulations on timeliness are contained in [13 CFR 121.1004](#). SBA's regulations on timeliness related to protests of disadvantaged status are contained in [13 CFR part 124, subpart B](#).
- (1) To be timely, a protest by any *concern* or other interested party *must* be received by the *contracting officer* by the close of business of the fifth business *day* after-
- (i) Bid opening for sealed bid *acquisitions*; or
  - (ii) Receipt of the special notification from the *contracting officer* (see [15.503\(a\)\(2\)](#)) that identifies the apparently successful *offeror* for negotiated *acquisitions*, including—
    - (A) Partial set-asides and reserves of *multiple-award contracts*;
    - (B) Orders that are set-aside under an unrestricted *multiple-award contract* (except for orders and blanket purchase agreements placed under a Federal Supply Schedule contract (see 8.405 and paragraph (d)(5) of this section)); and
    - (C) Orders placed under *multiple-award contracts* where the *contracting officer* requested rerepresentation for the order; or
  - (iii) Receipt of notification using other communication means when written notification is not required.
- (2) A protest *may* be made orally if it is confirmed *in writing* and received by the *contracting officer* within the 5-day period or by letter postmarked no later than 1 business *day* after the oral protest.
- (3) A protest *may* be made *in writing* if it is delivered to the *contracting officer* by hand, mail, facsimile, email, express or overnight delivery service.
- (4) Except as provided in paragraph (d)(6) of this section, a protest filed by the *contracting officer* or SBA is always considered timely whether filed before or after award.
- (5) A protest under a Multiple Award Schedule will be timely if received by SBA at any time prior to the expiration of the contract period, including renewals.
- (6) A protest filed before bid opening, or notification to *offerors* of the selection of the apparent successful *offeror*, will be dismissed as premature by SBA.
- (e) Upon receipt of a protest from or forwarded by the *Contracting Office*, the SBA will-
- (1) Notify the *contracting officer* and the protester of the date it was received, and that the size of the *concern* being challenged is under consideration by the SBA; and

(2) Furnish to the *concern* whose representation is being protested a copy of the protest and a blank SBA Form 355, Application for Small Business Determination, by certified mail, return receipt requested.

(f)

(1) Within 15 business days after receipt of a protest or request for a formal size determination or within any extension of time granted by the *contracting officer* the SBA Area Office will determine the size status of the challenged *concern*. The SBA Area Office will notify the *contracting officer*, the protester, and the challenged *concern* of its decision by a verifiable means, which *may* include facsimile, electronic mail, or overnight delivery service.

(2) Award *may* be made to a protested *concern* after the SBA Area Office has determined that either the protested *concern* is an eligible small business or has dismissed all protests against it.

(3) If SBA's Office of Hearings and Appeals (OHA) subsequently overturns the Area Office's determination of eligibility or dismissal, and contract award has not been made, the *contracting officer may* apply the OHA decision to the *procurement* in question.

(g)

(1) After receiving a protest involving an *offeror* being considered for award, the *contracting officer shall* not award the contract until the SBA has made a size determination or 15 business days have expired since SBA's receipt of a protest, whichever occurs first; however, award *shall* not be withheld when the *contracting officer* determines *in writing* that an award *must* be made to protect the public interest.

(2) If SBA has not made a determination within 15 business days, or within any extension of time granted by the *contracting officer*, the *contracting officer may* award the contract after determining *in writing* that there is an immediate need to award the contract and that waiting until SBA makes its determination will be disadvantageous to the Government.

(3) SBA *may*, at its sole discretion, reopen a formal size determination to correct an error or mistake, if it is within the appeal period and no appeal has been filed with OHA or, a final decision has not been rendered by the SBA Area Office or OHA.

(4) If a protest is received that challenges the small business status of an *offeror* not being considered for award, the *contracting officer* is not required to suspend contract action. The *contracting officer shall* forward the protest to the SBA (see paragraph (c)(1) of this section) with a notation that the *concern* is not being considered for award, and *shall* notify the protester of this action.

(h) An appeal from an SBA size determination *may* be filed by any *concern* or other interested party whose protest of the small business representation of another *concern* has been denied by an SBA Government Contracting Area Director, any *concern* or other interested party that has been adversely affected by an SBA Government Contracting Area Director's decision, or the SBA Associate Administrator for the SBA program involved. The appeal *must* be filed with the Office of Hearings and Appeals, Small Business Administration, Suite 5900, 409 3rd Street, SW., Washington, DC 20416, within the time limits and in strict accordance with the procedures contained in Subpart C of 13 CFR 134. It is within the discretion of the SBA Judge whether to accept an appeal from a size determination. If a post-award appeal is submitted to OHA within the time limits specified in Subpart

C of 13 CFR 134, the *contracting officer shall* consider suspending contract performance until an SBA Judge decides the appeal. SBA will inform the *contracting officer* of its ruling on the appeal. SBA's decision, if received before award, will apply to the pending *acquisition*. If the *contracting officer* has made a written determination in accordance with (g)(1) or (2) of this section, the contract has been awarded, the SBA rulings is received after award, and OHA finds the protested *concern* to be *ineligible* for award, the *contracting officer shall* terminate the contract unless termination is not in the best interests of the Government, in keeping with the circumstances described in the written determination. However, the *contracting officer shall* not exercise any *options* or award further task or *delivery orders*.

(i) SBA will dismiss untimely protests. A protest that is not timely, even though received before award, *shall* be forwarded to the SBA Government *Contracting Area Office* (see paragraph (c)(1) of this section), with a notation on it that the protest is not timely. A protest received by a *contracting officer* after award of a contract *shall* be forwarded to the SBA Government *Contracting Area Office* with a notation that award has been made.

(j) When a *concern* is found to be other than small under a protest concerning a size status rerepresentation made in accordance with the clause at [52.219-28](#), Post-Award Small Business Program Rerepresentation, a *contracting officer may* permit contract performance to continue, issue orders, or exercise *option(s)*, because the contract remains a valid contract.

### **19.303 [Reserved].**

### **19.304 Small disadvantaged business status.**

(a) The *contracting officer may* accept an *offeror's* representation that it is a *small disadvantaged business concern* (SDB) *concern*.

(b) The provision at [52.219-1](#), Small Business Program Representations, or [52.212-3\(c\)\(5\)](#), *Offeror Representations and Certifications-Commercial Products and Commercial Services*, is used to collect SDB data.

(c) A representation of SDB status on a Federal prime contract will be deemed a misrepresentation of SDB status if the firm does not meet the requirements of 13 CFR 124.1001.

(d) Any person or entity that misrepresents a firm's status as an SDB *concern* in order to obtain a *contracting* opportunity in accordance with section 8(d) of the Small Business Act, ([15 U.S.C. 637\(d\)](#)) will be subject to the penalties imposed by section 16(d) of the Small Business Act, ([15 U.S.C. 645\(d\)](#)), as well as any other penalty authorized by law.

### **19.305 Reviews of SDB status.**

This section applies to reviews of a small business *concern's* SDB status as a prime contractor or subcontractor.

(a) SBA *may* initiate the review of SDB status on any firm that has represented itself to be an SDB on a prime contract or subcontract to a Federal prime contract whenever it receives credible information calling into question the SDB status of the firm.

(b) Requests for an SBA review of SDB status *may* be forwarded to the Small Business Administration, Associate Administrator for Business Development (AA/BD), 409 Third Street, SW, Washington, DC 20416.

(c) An SBA review of a subcontractor's SDB status differs from a formal protest. Protests of a *concern's* size as a prime contractor are processed under [19.302](#). Protests of a *concern's* size as a subcontractor are processed under [19.703\(b\)](#).

### **19.306 Protesting a firm's status as a HUBZone small business concern.**

(a) *Definition.* As used in this section-

*Interested party* has the meaning given in 13 CFR 126.103.

(b)

(1) For sole-source *procurements*, SBA or the *contracting officer* may protest the prospective contractor's certified *HUBZone* status; for all other *procurements*, SBA, the *contracting officer*, or any other *interested party* may protest the apparent successful *offeror's* certified *HUBZone* status (see [13 CFR 126.800](#)).

(2) The Director of SBA's Office of the *HUBZone* Program will determine whether the *concern* has certified *HUBZone* status. If SBA upholds the protest, SBA will remove the *concern's* *HUBZone* status in the Dynamic Small Business Search (DSBS). SBA's protest regulations are found in subpart H "Protests" at [13 CFR 126.800](#) through [126.805](#).

(c) Protests relating to small business size status are subject to the procedures of [19.302](#). An *interested party* seeking to protest both the small business size and *HUBZone* status of an apparent successful *offeror* shall file two separate protests. Protests relating to small business size status for the *acquisition* and the *HUBZone* eligibility requirements will be processed concurrently by SBA.

(d)

(1) All protests *must be in writing* and *must* state all specific grounds for the protest ( *i.e.*, why the protested *concern* did not meet the eligibility requirements at [13 CFR 126.200](#) at the time of the *concern's* application to SBA for certification as a *HUBZone* small business *concern* or at the time SBA certified or last recertified the *concern* as a *HUBZone* small business *concern*). Assertions that a protested *concern* is not a *HUBZone* small business *concern*, without setting forth specific facts or allegations, will not be considered by SBA (see [13 CFR 126.801\(b\)](#)).

(2) Protests filed against a *HUBZone* joint venture *must* state one or, if applicable, both of the following:

(i) Why the *HUBZone* small business party to the joint venture did not meet the eligibility requirements at [13 CFR 126.200](#) at the time of its application to SBA for certification or at the time SBA certified or last recertified the *concern* as a *HUBZone* small business *concern*.

(ii) Why the joint venture did not meet the requirements at [13 CFR 126.616](#) at the time of submission of its *offer* for a *HUBZone* contract.



(e) *Submission of a protest.*

(1) An *interested party* shall submit its written protest to the *contracting officer*-

(i) For sealed bids-

(A) By the close of business on the fifth business *day* after bid opening; or

(B) By the close of business on the fifth business *day* from the date of identification of the apparent successful *offeror*, if the price evaluation preference was not applied at the time of bid opening;

(ii) For negotiated *acquisitions*, by the close of business on the fifth business *day* after receipt of the special notification from the *contracting officer* (see [15.503\(a\)\(2\)](#)) of the apparently successful *offeror*, including—

(A) Orders placed under *multiple-award contracts* where the *contracting officer* requested rerepresentation for the order (see [13 CFR 126.801\(d\)\(1\)](#)); and

(B) Orders set aside for *HUBZone* small businesses under *multiple-award contracts* that are not partially or totally set-aside or reserved for *HUBZone* small business concerns (see [13 CFR 126.801\(d\)\(1\)](#)), except for orders and blanket purchase agreements placed under a Federal Supply Schedule contract (see [8.405](#) and [19.302\(d\)\(5\)](#)); or

(iii) By the close of business on the fifth business *day* after receipt of notification using other communication means when written notification is not required.

(2) Any protest received after the designated time limits is untimely, unless it is from the *contracting officer* or SBA.

(3) SBA will consider protests for *HUBZone* set-aside or sole-source service contracts or orders, if a *HUBZone* prime contractor is unduly reliant on a small entity subcontractor that is not a similarly-situated entity as defined in [13 CFR 125.1](#), or if such subcontractor performs the primary and vital requirements of the contract. For allegations that the prime contractor is unduly reliant on an other-than-small subcontractor, see size protests at [19.302](#), and [13 CFR 121.103\(h\)\(2\)](#), which treats the pair as joint venturers for size determination purposes (the “ostensible subcontractor rule”).

(f) The *contracting officer* shall forward all protests with a referral letter to the Director of SBA's Office of the *HUBZone* Program, by email to [hzprotests@sba.gov](mailto:hzprotests@sba.gov). The referral letter shall include the following—

(1) The *solicitation* number;

(2) The *contracting officer's* name and contact information;

(3) The type of *HUBZone contract* ( *i.e.*, sole-source, set-aside, *full and open competition* with a *HUBZone* price evaluation preference, or reserve for *HUBZone* small business concerns under a *multiple-award contract*);

(4) For a *procurement* conducted using *full and open competition* with a *HUBZone* price evaluation preference, whether the protester's opportunity for award was affected by the preference;

(5) For a *HUBZone* set-aside, whether the protester submitted an *offer*;

(6) Whether the protested *concern* was the apparent successful *offeror*;

- (7) Whether the *procurement* was conducted using sealed bid or negotiated procedures;
  - (8) The bid opening date, if applicable;
  - (9) The date the protester was notified of the apparent successful *offeror*;
  - (10) The date the *contracting officer* received the protest;
  - (11) The date the protested *concern* submitted its initial *offer* or quote to the *contracting officer*; and
  - (12) Whether a contract has been awarded, and if so, the date of award and contract number.
- (g) SBA will notify the protester and the *contracting officer* of the date SBA received the protest.

(h) Before SBA decision.

(1) After receiving a protest involving the apparent successful *offeror's* status as a *HUBZone* small business *concern*, the *contracting officer shall* either-

(i) Withhold award of the contract until SBA determines the status of the protested *concern*; or

(ii) Award the contract if—

(A) SBA does not issue its decision within 15 business days after receipt of the protest; and

(B) The *contracting officer* determines *in writing* that there is an immediate need to award the contract and that waiting for SBA's determination will be disadvantageous to the Government.

(2) SBA will determine the merits of the status protest within 15 business days after receipt of a protest, or within any extension of time granted by the *contracting officer*.

(i) After SBA decision. The SBA will notify the *contracting officer*, the protester, and the protested *concern* of the SBA determination. The determination is effective immediately and is final unless overturned on appeal by SBA's Associate Administrator, Office of Government *Contracting* and Business Development (AA/GC&BD).

(1) If the *contracting officer* has withheld contract award and SBA has determined that the protested *concern* is an eligible *HUBZone* or dismissed all protests against the protested *concern*, the *contracting officer may* award the contract to the protested *concern*. If the AA/GC&BD subsequently overturns the initial determination or dismissal, the *contracting officer may* apply the AA/GC&BD decision to the *procurement* in question.

(2) If the *contracting officer* has withheld award and the *HUBZone* Program Director has determined that the protested *concern* is *ineligible*, and a timely AA/GC&BD appeal has not been filed, then the *contracting officer shall* not award the contract to the protested *concern*.

(3) If the *contracting officer* has made a written determination in accordance with (h)(1)(ii)(B) of this section, awarded the contract, and the Director of SBA's Office of the *HUBZone* Program's ruling sustaining the protest is received after award—

(i) The *contracting officer shall* either—

(A) Terminate the contract; or

(B)

(1) Make a written determination that termination is not in the best interests of the Government; and

(2) Not exercise any *options* or award further task or *delivery orders* under the contract.

(ii) SBA will remove the *concern's* designation as a certified *HUBZone* small business *concern* in the Dynamic Small Business Search (DSBS). The *concern* is not permitted to submit an *offer* as a *HUBZone* small business *concern* until SBA issues a decision that the ineligibility is resolved; and

(iii) After SBA updates the *concern's* designation as a *HUBZone* small business in DSBS, the *contracting officer shall* update the Federal *Procurement* Data System (FPDS) to reflect the final decision of the *HUBZone* Program Director if no appeal is filed.

(4) If the *contracting officer* has made a written determination in accordance with (h)(1)(ii)(B) of this section, awarded the contract, SBA has sustained the protest and determined that the *concern* is not a *HUBZone* small business, and a timely AA/GC&BD appeal has been filed, then the *contracting officer shall* consider whether performance can be suspended until an AA/GC&BD decision is rendered.

(5) If the AA/GC&BD affirms the decision of the *HUBZone* Program Director, finding the protested *concern* is *ineligible*, and contract award has occurred—

(i) The *contracting officer shall* either—

(A) Terminate the contract; or

(B)

(1) Make a written determination that termination is not in the best interests of the Government; and

(2) Not exercise any *options* or award further task or *delivery orders* under the contract;

(ii) SBA will remove the *concern's* designation as a certified *HUBZone* small business *concern* in DSBS. The *concern* is not permitted to submit an *offer* as a *HUBZone* small business *concern* until SBA issues a decision that the ineligibility is resolved or the AA/GC&BD finds the *concern* is eligible on appeal; and

(iii) After SBA updates the *concern's* designation as a *HUBZone* small business in DSBS, the *contracting officer shall* update FPDS to reflect the AA/GC&BD decision.

(6) A *concern* found to be *ineligible* during a *HUBZone* status protest is precluded from applying for *HUBZone* certification for 90 calendar days from the date of the SBA final decision.

(j) Appeals of *HUBZone* status determinations. The protested *HUBZone* small business *concern*, the protester, or the *contracting officer may* file appeals of protest determinations with SBA's AA/GC&BD. The AA/GC&BD *must* receive the appeal no later than 5 business days after the date of receipt of the protest determination. SBA will dismiss any untimely appeal.

(k) The appeal *must* be *in writing*. The appeal *must* identify the protest determination being appealed and *must* set forth a full and specific statement as to why the decision is erroneous or what significant fact the *HUBZone* Program Director failed to consider.

(l)

(1) The party appealing the decision *must* provide notice of the appeal to-

(i) The *contracting officer*; and

(ii) The protested *HUBZone* small business *concern* or the original protester, as appropriate.

(2) SBA will not consider additional information or changed circumstances that were not disclosed at the time of the *HUBZone* Program Director's determination or that are based on disagreement with the findings and conclusions contained in the determination.

(m) The AA/GC&BD will make its decision within 5 business days of the receipt of the appeal, if practicable, and will base its decision only on the information and documentation in the protest record as supplemented by the appeal. SBA will provide a copy of the decision to the *contracting officer*, the protester, and the protested *HUBZone* small business *concern*. The SBA decision, if received before award, will apply to the pending *acquisition*. The AA/GC&BD's decision is the final decision.

### **19.307 Protesting a firm's status as a service-disabled veteran-owned small business concern.**

(a) *Definition.*

*Interested party*, as used in this section, has the meaning given in 13 CFR 134.1002(b).

(b)

(1) *General.* For *sole source acquisitions*, the *contracting officer*, the Department of Veterans Affairs (VA), or SBA may protest the apparently successful *offeror's* service-disabled veteran-owned small business (SDVOSB) status. For all other *acquisitions*, any *interested party* may protest the apparently successful *offeror's* service-disabled veteran-owned small business status.

(2) SBA's protest regulations are found in 13 CFR 128.500 and 13 CFR part 134.

(c) Protests relating to small business size status are subject to the procedures of [19.302](#). An interested party seeking to protest both the small business size and service-disabled veteran-owned small business status of an apparent successful *offeror shall* file two separate protests.

(d) All protests *must be in writing* and *must* state all specific grounds for the protest.

(1) OHA will consider protests challenging the SDVOSB status or the ownership and control of a *concern* if—

(i) For status protests, the protester presents evidence supporting the contention that the owner(s) cannot provide documentation from the VA to show that they meet the definition of "service-disabled veteran" or "service-disabled veteran with a permanent and severe disability" as set forth in 13 CFR 128.102; or

(ii) For ownership and control protests, the protester presents evidence that the *concern* is not 51 percent owned and controlled by one or more service-disabled veterans. In the case of a veteran

with a permanent and severe disability, the protester presents evidence that the *concern* is not controlled by the veteran, spouse, or permanent caregiver of such veteran; or

(iii) For set-aside or sole-source service contract or order ostensible subcontractor protests, the protester presents credible evidence of the alleged undue reliance on a small entity subcontractor that is not a similarly-situated entity as defined in [13 CFR 125.1](#), or credible evidence that the small *non-similarly situated entity* is performing the primary and vital requirements of the contract. For allegations that the prime contractor is unduly reliant on an other-than-small subcontractor, see size protests at [19.302](#), and [13 CFR 121.103\(h\)\(2\)](#), which treats the pair as joint venturers for size determination purposes (the “ostensible subcontractor rule”); or

(iv) For joint venture protests, the protester presents evidence that the managing SDVOSB joint venture partner does not meet the requirements at [13 CFR 128.402](#).

(2) Assertions that a protested *concern* is not a service-disabled veteran-owned small business *concern*, without setting forth specific facts or allegations, will not be considered by OHA (see [13 CFR 134.1005](#)).

(e) *Protest by an interested party.*

(1) An *interested party* (except *contracting officers* should see paragraph (f)(1) of this section) shall submit its protest to the *contracting officer*—

(i) To be received by close of business on the fifth business *day* after bid opening for sealed bid *acquisitions*;

(ii) To be received by close of business on the fifth business *day* after receipt of the special notification from the *contracting officer* (see [15.503\(a\)\(2\)](#)) that identifies the apparently successful *offeror* for negotiated *acquisitions*, including—

(A) Orders placed under *multiple-award contracts* where the *contracting officer* requested rerepresentation for the order (see [13 CFR 134.1004\(a\)\(3\)\(ii\)](#)); and

(B) Orders set aside for service-disabled veteran-owned small businesses under *multiple-award contracts* that are not partially or totally set aside or reserved for service-disabled veteran-owned small business *concerns* (see [13 CFR 134.1004\(a\)\(3\)\(i\)](#)), except for orders and blanket purchase agreements placed under a Federal Supply Schedule contract (see [8.405](#) and [19.302\(d\)\(5\)](#));

(iii) To be received by close of business on the fifth business *day* after notification by the *contracting officer* of the intended awardee for an order that is set aside for SDVOSBs under a *multiple-award contract* that was not totally or partially set aside or reserved for SDVOSB *concerns*. This paragraph (e)(1)(iii) does not apply to an order issued under a Federal Supply Schedule (FSS) contract;

(iv) To be received by the close of the fifth business *day* after notification by the *contracting officer* of the intended awardee for a blanket purchase agreement that is set aside for SDVOSBs under a *multiple-award contract* that was not totally or partially set aside or reserved for SDVOSB *concerns*. This paragraph (e)(1)(iv) does not apply to a blanket purchase agreement issued under a FSS contract; or

(v) To be received by the close of business on the fifth business *day* after receipt of notification using other communication means when written notification is not required.

(2) Any protest received after the designated time limits is untimely, except—

(i) The VA or SBA *may* file an SDVOSB status protest at any time; and

(ii) The *contracting officer*, SBA, or VA *may* file an SDVOSB status protest at any time after the apparent awardee has been identified or after bid opening, whichever applies.

(f) *Forwarding protests to SBA.*

(1) The *contracting officer shall* forward all protests to the U.S. Small Business Administration, Office of Hearings and Appeals, 409 Third Street, SW, Washington, DC 20416, or by email at [OHAfilings@sba.gov](mailto:OHAfilings@sba.gov), marked "Attn: SDVOSB Status Protest".

(2) The protest *shall* include a referral letter written by the *contracting officer* with information pertaining to the *solicitation*. The referral letter *must* include the following information to allow OHA to determine timeliness and standing:

(i) The *solicitation* number (or an electronic link to or a paper copy of the *solicitation*).

(ii) The name, address, telephone number, and email address of the *contracting officer*.

(iii) Whether the contract was sole-source or set-aside.

(iv) Whether the protestor submitted an *offer*.

(v) Whether the protested *concern* was the apparent successful *offeror*.

(vi) When the protested *concern* submitted its initial *offer* that included price.

(vii) Whether the *acquisition* was conducted using sealed bid or negotiated procedures.

(viii) The bid opening date, if applicable.

(ix) The date the *contracting officer* received the protest.

(x) The date the protestor received notification about the apparent successful *offeror*, if applicable.

(xi) Whether a contract has been awarded.

(g) *Notification by OHA.* OHA will notify the protestor, the protested *concern*, SBA's Director of Government Contracting (D/GC), SBA Counsel, and the *contracting officer* of the date OHA received the protest.

(h) *Before OHA decision.*

(1) After receiving a protest involving the apparent successful *offeror's* status as an SDVOSB *concern*, the *contracting officer shall* either-

(i) Withhold award of the contract until OHA determines the status of the protested *concern*; or

(ii) Award the contract after receipt of the protest but before OHA issues its decision if the *contracting officer* determines *in writing* that an award *must* be made to protect the public interest. The *contracting officer shall* notify OHA and SBA D/GC *in writing* of the determination and a copy

shall be included in the contract file.

(2) OHA will determine the merits of the status protest.

(3) OHA does not have a standard timeline for issuing decisions.

(i) *After OHA decision.* OHA will notify the *contracting officer*, the protester, and the protested *concern* of its decision. The decision is effective immediately and is final.

(1) If the *contracting officer* has withheld contract award and OHA has determined that the protested *concern* is an eligible SDVOSB or dismissed all protests against the protested *concern*, then the *contracting officer* may award the contract to the protested *concern*.

(2) If the *contracting officer* has withheld contract award, and OHA has sustained the protest and determined that the *concern* is not an SDVOSB, then the *contracting officer* shall not award the contract to the protested *concern*.

(3) If the *contracting officer* has made a written determination in accordance with paragraph (h)(1)(ii) of this section, the contract has been awarded, and the OHA decision to sustain the protest is received after award-

(i) The *contracting officer* shall terminate the contract, unless the *contracting officer* has made a written determination that termination is not in the best interests of the Government. However, the *contracting officer* shall not exercise any *options* or award further task or *delivery orders*;

(ii) The *contracting officer* shall update FPDS to reflect the final OHA decision; and

(iii) The *concern* must remove its designation in the *System for Award Management (SAM)* as an SDVOSB *concern* within 2 days of the OHA decision. SBA will update the *concern's* SDVOSB status in SAM if the *concern* fails to do so. The *concern* shall not submit an *offer* as a SDVOSB *concern* or an SDVOSB *concern* eligible under the SDVOSB Program, until the *concern* is designated as an SDVOSB by SBA in the SBA Veteran Small Business Certification Program database at <https://veterans.certify.sba.gov>.

(4) A *concern* found to be *ineligible* may not submit future *offers* as an SDVOSB *concern* until the *concern* is designated as an SDVOSB by SBA in the SBA Veteran Small Business Certification Program database at <https://veterans.certify.sba.gov>.

### **19.308 Protesting a firm's status as an economically disadvantaged women-owned small business concern or women-owned small business concern eligible under the Women-Owned Small Business Program.**

(a) *Definition.* Interested party, as used in this section, has the meaning given in 13 CFR 127.102.

(b)

(1) For *sole source acquisitions*, the *contracting officer* or SBA may protest the *offeror's* status as an *economically disadvantaged women-owned small business (EDWOSB) concern* or as a WOSB *concern* eligible under the WOSB Program. For all other *acquisitions*, an interested party (see 13 CFR 127.102) may protest the apparent successful *offeror's* EDWOSB or WOSB status.

(2) SBA's protest regulations are found in subpart F "Protests" at 13 CFR 127.600 through 127.605.

(c) Protests relating to small business size status are subject to the procedures of [19.302](#). An interested party seeking to protest both the small business size and WOSB or EDWOSB status of an apparent successful *offeror shall* file two separate protests.

(d) All protests *shall be in writing* and *must* state all specific grounds for the protest.

(1) SBA will consider protests challenging the status of a *concern* if-

(i) The protest presents evidence that the *concern* is not at least 51 percent owned and controlled by one or more women who are *United States* citizens;

(ii) The protest presents evidence that the *concern* is not at least 51 percent owned and controlled by one or more economically disadvantaged women who are *United States* citizens, when it is in connection with an EDWOSB contract; or

(iii) For WOSB or EDWOSB set-aside or sole-source service contracts or orders, the protest presents evidence that the prime contractor is unduly reliant on a small entity subcontractor that is not a similarly-situated entity as defined in [13 CFR 125.1](#), or a protest alleging that such subcontractor is performing the primary and vital requirements of a set-aside or sole-source WOSB or EDWOSB contract. For allegations that the prime contractor is unduly reliant on an other-than-small subcontractor, see size protests at [19.302](#), and [13 CFR 121.103\(h\)\(2\)](#), which treats the pair as joint venturers for size determination purposes (the "ostensible subcontractor rule").

(2) Assertions that a protested *concern* is not an EDWOSB or WOSB *concern* eligible under the WOSB Program, without setting forth specific facts or allegations, will not be considered by SBA (see [13 CFR 127.603\(a\)](#)).

(e) *Protest by an interested party.*

(1) An *offeror shall* submit its protest to the *contracting officer*—

(i) To be received by the close of business by the fifth business *day* after bid opening for sealed bid *acquisitions*;

(ii) To be received by the close of business by the fifth business *day* after receipt of the special notification from the *contracting officer* (see [15.503\(a\)\(2\)](#)) that identifies the apparently successful *offeror* for negotiated *acquisitions* including—

(A) Orders placed under *multiple-award contracts* where the *contracting officer* requested rerepresentation for the order (see [13 CFR 127.603\(c\)\(1\)](#)); and

(B) Orders set aside for EDWOSB or WOSB *concerns* under *multiple-award contracts* that are not partially or totally set aside or reserved for EDWOSB or WOSB *concerns* (see [13 CFR 127.603\(c\)\(1\)](#)), except for orders and blanket purchase agreements placed under a Federal Supply Schedule contract (see [8.405](#) and [19.302\(d\)\(5\)](#)); or

(iii) To be received by the close of business on the fifth business *day* after receipt of notification using other communication means when written notification is not required.

(2) Any protest received after the designated time limit is untimely, unless it is from the *contracting*



officer or SBA.

(f)

(1) The *contracting officer* shall forward all protests to SBA. The protests are to be submitted to SBA's Director for Government Contracting by email at [wosbprotest@sba.gov](mailto:wosbprotest@sba.gov).

(2) The protest shall include a referral letter written by the *contracting officer* with information pertaining to the *solicitation*. The referral letter must include the following information to allow SBA to determine timeliness and standing:

(i) The *solicitation* number or electronic link to or a paper copy of the *solicitation*.

(ii) The name, address, telephone number, email address, and facsimile number of the *contracting officer*.

(iii) Whether the protestor submitted an *offer*.

(iv) Whether the protested *concern* was the apparent successful *offeror*.

(v) When the protested *concern* submitted its *offer*.

(vi) Whether the *acquisition* was conducted using sealed bid or negotiated procedures.

(vii) The bid opening date, if applicable.

(viii) The date the *contracting officer* received the protest.

(ix) The date the protestor received notification about the apparent successful *offeror*, if applicable.

(x) Whether a contract has been awarded.

(g) SBA will notify the protester and the *contracting officer* of the date SBA received the protest.

(h) *Before SBA decision.*

(1) After receiving a protest involving the apparent successful *offeror's* status as an EDWOSB or WOSB *concern* eligible under the WOSB Program, the *contracting officer* shall either-

(i) Withhold award of the contract until SBA determines the status of the protested *concern*; or

(ii) Award the contract after receipt of the protest but before SBA issues its decision if the *contracting officer* determines *in writing* that an award *must* be made to protect the public interest.

(2) SBA will determine the merits of the status protest within 15 business days after receipt of a protest, or within any extension of that time granted by the *contracting officer*.

(3) If SBA does not issue its determination within 15 business days, or within any extension of time granted, the *contracting officer* may award the contract after determining *in writing* that there is an immediate need to award the contract and that waiting until SBA makes its determination will be disadvantageous to the Government. This determination shall be provided to the SBA Director for Government Contracting and a copy shall be included in the contract file.

(i) *After SBA decision.* SBA will notify the *contracting officer*, the protester, and the protested *concern* of its determination. The determination is effective immediately and is final unless overturned on appeal by OHA pursuant to 13 CFR part 134.

(1) If the *contracting officer* has withheld contract award and SBA has denied or dismissed the protest, the *contracting officer may* award the contract to the protested *concern*. If OHA subsequently overturns the SBA Director for Government *Contracting's* determination or dismissal, the *contracting officer may* apply the OHA decision to the *procurement* in question.

(2) If the *contracting officer* has withheld contract award, SBA has sustained the protest and determined that the *concern* is not eligible under the WOSB Program, and no OHA appeal has been filed, then the *contracting officer shall* not award the contract to the protested *concern*.

(3) If the *contracting officer* has made a written determination in accordance with (h)(1)(ii) or (h)(3) of this section, awarded the contract, and SBA's ruling is received after award, and no OHA appeal has been filed, then-

(i) The *contracting officer shall* terminate the contract, unless the *contracting officer* has made a written determination that termination is not in the best interests of the Government. However, the *contracting officer shall* not exercise any *options* or award further task or *delivery orders*;

(ii) The *contracting officer shall* update the FPDS to reflect the final SBA decision; and

(iii) SBA will remove the *concern's* designation in the Dynamic Small Business Search (DSBS) as an EDWOSB or WOSB *concern* eligible under the WOSB Program. The *concern shall* not submit an *offer* as an EDWOSB *concern* or WOSB *concern* eligible under the WOSB Program, until SBA issues a decision that the ineligibility is resolved.

(4) If the *contracting officer* has made a written determination in accordance with (h)(1)(ii) or (h)(3) of this section, contract award has occurred, SBA has sustained the protest and determined that the *concern* is not eligible under the WOSB Program, and a timely OHA appeal has been filed, then the *contracting officer shall* consider whether performance can be suspended until an OHA decision is rendered.

(5) If OHA affirms the SBA Director for Government *Contracting's* determination finding the protested *concern* is *ineligible*, then-

(i) The *contracting officer shall* terminate the contract, unless the *contracting officer* has made a written determination that termination is not in the best interests of the Government. However, the *contracting officer shall* not exercise any *options* or award further task or *delivery orders*;

(ii) The *contracting officer shall* update the FPDS to reflect OHA's decision; and

(iii) SBA will remove the *concern's* designation in DSBS as an EDWOSB or WOSB *concern* eligible under the WOSB Program. The *concern shall* not submit an *offer* as an EDWOSB *concern* or WOSB *concern* eligible under the WOSB Program, until SBA issues a decision that the ineligibility is resolved or OHA finds the *concern* is eligible on appeal.

(j) Appeals of EDWOSB or WOSB *concerns* eligible under the WOSB Program status determinations.

(1) The protested EDWOSB *concern* or WOSB *concern* eligible under the WOSB program, the protester, or the *contracting officer may* file an appeal of a WOSB or EDWOSB status protest

determination with OHA.

(2) OHA *must* receive the appeal no later than 10 business days after the date of receipt of the protest determination. SBA will dismiss an untimely appeal.

(3) See subpart G "Rules of Practice for Appeals From *Women-Owned Small Business Concerns* (WOSB) and Economically Disadvantaged WOSB *Concern* (EDWOSB) Protests" at 13 CFR 134.701 through 134.715 for SBA's appeals regulations.

(k) *The appeal must be in writing.* The appeal *must* identify the protest determination being appealed and *must* set forth a full and specific statement as to why the EDWOSB *concern* or WOSB *concern* eligible under the WOSB program protest determination is alleged to be based on a clear error of fact or law, together with an argument supporting such allegation.

(l) The party appealing the decision *must* provide notice of the appeal to-

(1) The *contracting officer*;

(2) Director, Office of Government *Contracting*, U.S. Small Business Administration, by email at [wosbprotest@sba.gov](mailto:wosbprotest@sba.gov) ;

(3) The protested EDWOSB *concern* or WOSB *concern* eligible under the WOSB program, or the original protester, as appropriate; and

(4) SBA's Office of General Counsel, Associate General Counsel for *Procurement* Law, U.S. Small Business Administration, 409 Third Street, SW., Washington, DC 20416, or e-mail at [OPLService@sba.gov](mailto:OPLService@sba.gov).

(m) OHA will make its decision within 15 business days of the receipt of the appeal, if practicable. SBA will provide a copy of the decision to the *contracting officer*, the protester, and the protested EDWOSB *concern* or WOSB *concern* eligible under the WOSB program. The OHA decision is the final agency decision and is binding on the parties.

### **19.309 Solicitation provisions and contract clauses.**

(a)

(1) Insert the provision at [52.219-1](#), Small Business Program Representations, in *solicitations* exceeding the *micro-purchase threshold* when the contract is for *supplies* to be delivered or services to be performed in the *United States* or its *outlying areas*, or when the *contracting officer* has applied this part in accordance with [19.000\(b\)\(1\)\(ii\)](#).

(2) Use the provision with its *Alternate I* in *solicitations* issued by DoD, NASA, or the Coast Guard.

(3) Use the provision with its *Alternate II* in *solicitations* that will result in a *multiple-award contract* with more than one NAICS code assigned. This is authorized for *solicitations* issued after October 1, 2028 (see [19.102\(b\)](#)).

(b) When *contracting* by sealed bidding, insert the provision at [52.219-2](#), Equal Low Bids, in *solicitations* when the contract is for *supplies* to be delivered or services to be performed in the *United States* or its *outlying areas*, or when the *contracting officer* has applied this part in

accordance with 19.000(b)(1)(ii).

(c)

(1) Insert the clause at 52.219-28, Post-Award Small Business Program Rerepresentation, in *solicitations* and contracts exceeding the *micro-purchase threshold* when the contract is for *supplies* to be delivered or services to be performed in the *United States* or its *outlying areas*, or when the *contracting officer* has applied this part in accordance with 19.000(b)(1)(ii).

(2) Use the clause with its *Alternate I* in *solicitations* and the resulting *multiple-award contracts* with more than one NAICS code. This is authorized for *solicitations* issued after October 1, 2028 (see 19.102(b)).

## **Subpart 19.4 - Cooperation with the Small Business Administration**

### **19.401 General.**

(a) The Small Business Act is the authority under which the Small Business Administration (SBA) and agencies consult and cooperate with each other in formulating policies to ensure that small business interests will be recognized and protected.

(b) The Director of the *Office of Small and Disadvantaged Business Utilization* serves as the agency focal point for interfacing with SBA. The Director of the Office of Small Business Programs is the agency focal point for the Department of Defense.

### **19.402 Small Business Administration procurement center representatives.**

(a)

(1) The SBA *may* assign one or more *procurement* center representatives (PCRs) to any *contracting activity* or *contract administration office* to carry out SBA policies and programs. Assigned SBA PCRs are required to comply with the *contracting* agency's directives governing the conduct of *contracting* personnel and the release of contract information. The SBA *must* obtain for its PCRs security clearances required by the *contracting* agency.

(2) If an SBA PCR is not assigned to the *procuring activity* or *contract administration office*, contact the SBA Office of Government *Contracting* Area Office serving the area in which the *procuring activity* is located for assistance in carrying out SBA policies and programs. See <https://www.sba.gov/federal-contracting/counseling-help/procurement-center-representative-directory> for the location of the SBA office servicing the activity.

(b) Upon their request and subject to applicable *acquisition* and security regulations, *contracting officers* shall give SBA PCRs (or, if a PCR is not assigned, see paragraph (a) of this section) access to all reasonably obtainable contract information that is directly pertinent to their official duties.

(c) The duties assigned by SBA to its PCR are set forth at [13 CFR 125.2\(b\)](#) and include but are not limited to the following:

(1) Reviewing proposed *acquisitions* to recommend-

(i) The set-aside or sole-source award to a small business of selected *acquisitions*;

(ii) New qualified small business sources, including veteran-owned small, service-disabled veteran-owned small, *HUBZone* small, small disadvantaged, economically disadvantaged women-owned small, and women-owned small eligible under the Women-Owned Small Business Program;

(iii) Breakout of discrete *components*, items, and requirements for competitive *acquisitions*; and

(iv) Ways to improve competition.

(2) Reviewing proposed *acquisition* packages provided in accordance with [19.202-1\(e\)](#). If the SBA *procurement* center representative (or, if a *procurement* center representative is not assigned, see paragraph (a) of this section) believes that the *acquisition*, as proposed, makes it unlikely that small businesses can compete for the prime contract, the representative *shall* recommend any *alternate contracting* method that the representative reasonably believes will increase small business prime *contracting* opportunities. The recommendation *shall* be made to the *contracting officer* within 15 days after receipt of the package.

(3) Recommending *concerns* for inclusion on a list of *concerns* to be solicited in a specific *acquisition*.

(4) Appealing to the chief of the *contracting office* any *contracting officer's* determination not to solicit a *concern* recommended by the SBA for a particular *acquisition*, when not doing so results in no small business being solicited.

(5) Conducting periodic reviews of the *contracting activity* to which assigned to ascertain whether it is complying with the small business policies in this regulation.

(6) Sponsoring and participating in conferences and training designed to increase small business participation in the *contracting activities* of the office.

(7) Appealing a *contracting officer's* rejection of PCR's recommendation. Such appeal *must* be *in writing* and *shall* be filed and processed in accordance with the appeal procedures set out in [19.502-8](#).

### **19.403 [Reserved].**

## **Subpart 19.5 - Small Business Total Set-Asides, Partial Set-Asides, and Reserves**

### **19.501 General.**

(a)

(1) The purpose of small business set-asides is to award certain *acquisitions* exclusively to small business *concerns*. A "set-aside for small business" is the limiting of an *acquisition* exclusively for participation by small business *concerns*. A small business set-aside *may* be open to any of the small business *concerns* identified at [19.000\(a\)\(3\)](#). A small business set-aside of a single *acquisition* or a class of *acquisitions* *may* be total or partial.

(2) The purpose of small business reserves is to award one or more *multiple-award contracts* to any of the small business *concerns* identified at [19.000\(a\)\(3\)](#), under a *full and open competition*. A small business reserve *shall* not be used when the *acquisition* can be set aside, in total or in part.

(b) The *contracting officer* makes the determination to make a small business set-aside, in total or in part, or a reserve. The Small Business Administration (SBA) *procurement* center representative (PCR) (or, if a PCR is not assigned, see [19.402\(a\)](#)) *may* make a recommendation to the *contracting officer*.

(c) The *contracting officer* *shall* review *acquisitions* to determine if they can be set aside, in total or in part, or reserved for small business, giving consideration to the recommendations of agency personnel in the *Office of Small and Disadvantaged Business Utilization*, or for the Department of Defense, in the Office of Small Business Programs. Agencies *may* establish threshold levels for this review depending upon their needs.

(d) At the request of an SBA PCR (or, if a PCR is not assigned, see [19.402\(a\)](#)), the *contracting officer* *shall* make available for review at the *contracting office* (to the extent of the SBA representative's security clearance) any proposed *acquisition* in excess of the *micro-purchase threshold*.

(e) All *solicitations* involving set-asides, in total or in part, or reserves *shall* specify the NAICS code(s) and corresponding size standard(s) (see [19.102](#)).

(f) Except as authorized by law, a contract *may* not be awarded as a result of a small business set-aside if the cost to the awarding agency exceeds the *fair market price*.

(g) For the applicability of the limitations on subcontracting and the nonmanufacturer rule, see [19.505](#).

## **19.502 Setting aside acquisitions.**

### **19.502-1 Requirements for setting aside acquisitions.**

(a) The *contracting officer* *shall* set aside an individual *acquisition* or class of *acquisitions* for competition among small businesses when-

(1) It is determined to be in the interest of maintaining or mobilizing the Nation's full productive capacity, war or *national defense* programs; or

(2) Assuring that a fair proportion of Government contracts in each *industry* is placed with small business *concerns*; and the circumstances described in [19.502-2](#) or [19.502-3\(a\)](#) exist.

(b) The requirement in paragraph (a) of this section does not apply to purchases at or below the *micro-purchase threshold*, or purchases from required sources under [part 8](#) (e.g., Committee for Purchase From People Who are Blind or Severely Disabled).

### **19.502-2 Total small business set-asides.**

(a) Before setting aside an *acquisition* under this paragraph, refer to [19.203\(b\)](#). Each *acquisition* of *supplies* or services that has an anticipated dollar value above the *micro-purchase* threshold, but not over the *simplified acquisition threshold*, shall be set aside for small business unless the *contracting officer* determines there is not a reasonable expectation of obtaining *offers* from two or more responsible small business *concerns* that are competitive in terms of *fair market prices*, quality, and delivery. If the *contracting officer* receives only one acceptable *offer* from a responsible small business *concern* in response to a set-aside, the *contracting officer* should make an award to that firm. If the *contracting officer* receives no acceptable *offers* from responsible small business *concerns*, the set-aside shall be withdrawn and the requirement, if still valid, shall be resolicited on an unrestricted basis. The small business set-aside does not preclude the award of a contract as described in [19.203](#).

(b) Before setting aside an *acquisition* under this paragraph, refer to [19.203\(c\)](#). The *contracting officer* shall set aside any *acquisition* over the simplified *acquisition* threshold for small business participation when there is a reasonable expectation that-

- (1) *Offers* will be obtained from at least two responsible small business *concerns*; and
- (2) Award will be made at *fair market prices*. Total small business set-asides shall not be made unless such a reasonable expectation exists (see [19.502-3](#) for partial set-asides). Although past *acquisition* history and *market research* of an item or similar items are always important, these are not the only factors to be considered in determining whether a reasonable expectation exists. In making research and development small business set-asides, there *must* also be a reasonable expectation of obtaining from small businesses the best scientific and technological sources consistent with the demands of the proposed *acquisition* for the best mix of cost, performances, and schedules.

### **19.502-3 Partial set-asides of contracts other than multiple-award contracts.**

(a) The *contracting officer* shall set aside a portion or portions of an *acquisition*, except for *construction*, for exclusive small business participation when—

- (1) *Market research* indicates that a total set-aside is not appropriate (see [19.502-2](#));
- (2) The requirement can be divided into distinct portions;
- (3) The *acquisition* is not subject to *simplified acquisition procedures*;
- (4) Two or more responsible small business *concerns* are reasonably expected to submit *offers* on the set-aside portion or portions of the *acquisition* that are competitive in terms of *fair market prices*, quality, and delivery;
- (5) The specific program eligibility requirements identified in this part apply; and
- (6) The *solicitation* will result in a contract other than a *multiple-award contract* (see [2.101](#) for definition of *multiple-award contract*).

(b) When the *contracting officer* determines that a requirement is to be partially set aside, the *solicitation shall* identify which portion or portions are set aside and not set aside.

(c) The *contracting officer shall* specify in the *solicitation* how *offers shall* be submitted with regard to the set-aside and non-set-aside portions.

(d) *Offers* received from *concerns* that do not qualify as small business *concerns shall* be considered nonresponsive and *shall* be rejected on the set-aside portion of partial set-asides. However, before rejecting an *offer* otherwise eligible for award because of questions concerning the size representation, an SBA determination *must* be obtained (see [subpart 19.3](#)).

#### **19.502-4 Partial set-asides of multiple-award contracts.**

(a) In accordance with section 1331 of the Small Business Jobs Act of 2010 ( [15 U.S.C. 644\(r\)\(1\)](#)), *contracting officers may*, at their discretion, set aside a portion or portions of a *multiple-award contract*, except for *construction*, for any of the small business *concerns* identified at [19.000\(a\)\(3\)](#) when—

(1) *Market research* indicates that a total set-aside is not appropriate (see [19.502-2](#));

(2) The requirement can be divided into distinct portions;

(3) The *acquisition* is not subject to *simplified acquisition procedures*;

(4) Two or more responsible small business *concerns* are reasonably expected to submit an *offer* on the set-aside portion or portions of the *acquisition* that are competitive in terms of *fair market prices*, quality, and delivery; and

(5) The specific program eligibility requirements identified in this part apply.

(b) When the *contracting officer* determines that a requirement is to be partially set aside, the *solicitation shall* identify which portion or portions are set aside and not set aside.

(c) The *contracting officer shall* specify in the *solicitation* how *offers shall* be submitted with regard to the set-aside and non-set-aside portions.

(d) *Offers* received from *concerns* that do not qualify as small business *concerns shall* be considered nonresponsive and *shall* be rejected on the set-aside portion of partial set-asides. However, before rejecting an *offer* otherwise eligible for award because of questions concerning the size representation, an SBA determination *must* be obtained (see [subpart 19.3](#)).

#### **19.502-5 Insufficient reasons for not setting aside an acquisition.**

None of the following is, in itself, sufficient cause for not setting aside an *acquisition*:

(a) A large percentage of previous contracts for the required item(s) has been placed with small business *concerns*.

(b) The item is on an established planning list under the Industrial Readiness Planning Program. However, a total small business set-aside *shall* not be made when the list contains a large business



Planned *Emergency* Producer of the item(s) who has conveyed a desire to supply some or all of the required items.

(c) The item is on a *Qualified Products List*. However, a total small business set-aside *shall* not be made if the list contains the *products* of large businesses unless none of the large businesses desire to participate in the *acquisition*.

(d) A period of less than 30 days is available for receipt of *offers*.

(e) The *acquisition* is classified.

(f) Small business *concerns* are already receiving a fair proportion of the agency's contracts for *supplies* and services.

(g) A class small business set-aside of the item or service has been made by another *contracting activity*.

(h) A "brand name or equal" product description will be used in the *solicitation*.

#### **19.502-6 Setting aside a class of acquisitions for small business.**

(a) A class of *acquisitions* of selected *products* or services, or a portion of the *acquisitions*, may be set aside for exclusive participation by small business *concerns* if individual *acquisitions* in the class will meet the criteria in [19.502-1](#), [19.502-2](#), or [19.502-3\(a\)](#). The determination to make a class small business set-aside *shall* not depend on the existence of a current *acquisition* if future *acquisitions* can be clearly foreseen.

(b) The determination to set aside a class of *acquisitions* for small business *may* be either unilateral or joint.

(c) Each class small business set-aside determination *shall be in writing* and *must-*

(1) Specifically identify the product(s) and service(s) it covers;

(2) Provide that the set-aside does not apply to any *acquisition* automatically set aside under [19.502-2\(a\)](#).

(3) Provide that the set-aside applies only to the (named) *contracting office(s)* making the determination; and

(4) Provide that the set-aside does not apply to any individual *acquisition* if the requirement is not severable into two or more economic production runs or reasonable lots, in the case of a partial class set-aside.

(d) The *contracting officer shall* review each individual *acquisition* arising under a class small business set-aside to identify any changes in the magnitude of requirements, specifications, delivery requirements, or competitive market conditions that have occurred since the initial approval of the class set-aside. If there are any changes of such a material nature as to result in probable payment of more than a *fair market price* by the Government or in a change in the capability of small business *concerns* to satisfy the requirements, the *contracting officer may* withdraw or modify (see [19.502-9\(a\)](#)) the unilateral or joint set-aside by giving written notice to the SBA PCR (or, if a PCR is not assigned, see [19.402\(a\)](#)) stating the reasons.

### **19.502-7 Inclusion of Federal Prison Industries, Inc.**

When using competitive procedures in accordance with 8.602(a)(4), agencies *shall* include Federal Prison Industries, Inc. (FPI), in the *solicitation* process and consider a timely *offer* from FPI.

### **19.502-8 Rejecting Small Business Administration recommendations.**

(a) If the *contracting officer* rejects a recommendation of the SBA, written notice *shall* be furnished to the appropriate SBA representative within 5 working days of the *contracting officer's* receipt of the recommendation.

(b) The SBA PCR (or, if a PCR is not assigned, see 19.402(a)) *may* appeal the *contracting officer's* rejection to the head of the *contracting activity* within 2 working days after receiving the notice (except see 19.1305(d), 19.1405(e), and 19.1505(i)). The head of the *contracting activity shall* render a decision *in writing*, and provide it to the SBA representative within 7 working days. Pending issuance of a decision to the SBA representative, the *contracting officer shall* suspend action on the *acquisition*.

(c) If the *head of the contracting activity* agrees that the *contracting officer's* rejection was appropriate-

(1) Within 2 working days, the SBA *procurement center* representative (or, if a *procurement center* representative is not assigned, see 19.402(a)) *may* request the *contracting officer* to suspend action on the *acquisition* until the SBA Administrator appeals to the *agency head* (see paragraph (f) of this section); and

(2) The SBA *must* be allowed 15 working days after making such a written request, within which the Administrator of SBA-

(i) *May* appeal to the Secretary of the Department concerned; and

(ii) *Must* notify the *contracting officer* whether the further appeal has, in fact, been taken. If notification is not received by the *contracting officer* within the 15-day period, it is deemed that the SBA request to suspend the contract action has been withdrawn and that an appeal to the Secretary was not taken.

(d) When the *contracting officer* has been notified within the 15-day period that the SBA has appealed to the *agency head*, the *head of the contracting activity* (or designee) *shall* forward justification for its decision to the *agency head*. The *contracting officer shall* suspend contract action until notification is received that the SBA appeal has been settled.

(e) The *agency head shall* reply to the SBA within 30 working days after receiving the appeal. The decision of the *agency head shall* be final.

(f) A request to suspend action on an *acquisition* need not be honored if the *contracting officer* determines that proceeding to contract award and performance is in the public interest. The *contracting officer shall* include in the contract file a statement of the facts justifying the determination, and *shall* promptly notify the SBA representative of the determination and provide a copy of the justification.

### **19.502-9 Withdrawing or modifying small business set-asides.**

(a) If, before award of a contract involving a total or partial small business set-aside, the *contracting officer* considers that award would be detrimental to the public interest (e.g., payment of more than a *fair market price*), the *contracting officer* may withdraw the small business set-aside, whether it was unilateral or joint. The *contracting officer* shall initiate a withdrawal of an individual total or partial small business set-aside, by giving written notice to the agency small business specialist and the SBA PCR (or, if a PCR is not assigned, see [19.402\(a\)](#)) stating the reasons. In a similar manner, the *contracting officer* may modify a unilateral or joint class small business set-aside to withdraw one or more individual *acquisitions*.

(b) If the agency small business specialist does not agree to a withdrawal or modification, the case shall be promptly referred to the SBA PCR (or, if a PCR is not assigned, see [19.402\(a\)](#)) for review.

(c) The *contracting officer* shall prepare a written statement supporting any withdrawal or modification of a small business set-aside and include it in the contract file.

### **19.502-10 Automatic dissolution of a small business set-aside.**

(a) If a small business set-aside *acquisition* or portion of an *acquisition* is not awarded, the unilateral or joint determination to set the *acquisition* aside is automatically dissolved for the unawarded portion of the set-aside. The required *supplies* and/or services for which no award was made may be acquired by sealed bidding or negotiation, as appropriate.

(b) Before issuing a *solicitation* for the items called for in a small business set-aside that was dissolved, the *contracting officer* shall ensure that the delivery schedule is realistic in the light of all relevant factors, including the capabilities of small business *concerns*.

### **19.502-11 Solicitation notice regarding administration of change orders for construction.**

See [36.211](#) for the requirement to provide a notice to *offerors* regarding definitization of equitable adjustments for *change orders* under *construction* contracts.

### **19.503 Reserves.**

(a) In accordance with section 1331 of the Small Business Jobs Act of 2010 ([15 U.S.C. 644\(r\)\(3\)](#)) and [13 CFR 125.2\(e\)\(4\)](#), *contracting officers* may, at their discretion when conducting multiple-award *procurements* using *full and open competition*, reserve one or more contract awards for any of the small business *concerns* identified in [19.000\(a\)\(3\)](#), when *market research* indicates—

(1) A total set-aside is not feasible because there is no reasonable expectation of receiving *offers* that are competitive in terms of *fair market prices*, quality, and delivery from at least two responsible small business *concerns* identified in [19.000\(a\)\(3\)](#), that can perform the entire requirement; and

(2) A partial set-aside is not feasible because—

(i) The *contracting officer* is unable to divide the requirement into distinct portions; or

(ii) There is no reasonable expectation that at least two responsible small business *concerns* identified in 19.000(a)(3) can perform any portion of the requirement competitively in terms of *fair market price*, quality, and delivery.

(b) A reserve will result in one of the following:

(1) One or more contract awards to any one or more types of small business *concerns* identified in 19.000(a)(3).

(2) In the case of a *solicitation* of a bundled requirement that will result in a *multiple-award contract*, an award to one or more small businesses with a *Small Business Teaming Arrangement*.

(c) The specific program eligibility requirements identified in this part apply.

(d) The limitations on subcontracting and the nonmanufacturer rule (see 19.505) do not apply to reserves at the contract level, but *shall* apply to orders that are set aside or issued directly to one small business *concern* under 19.504(c)(1)(ii).

### **19.504 Orders under multiple-award contracts.**

(a) *General*. In accordance with section 1331 of the Small Business Jobs Act of 2010 ( 15 U.S.C. 644(r)(2)), *contracting officers may*, at their discretion, set aside orders placed under *multiple-award contracts* for any of the small business *concerns* identified in 19.000(a)(3).

(1) The *contracting officer shall* state in the *solicitation* and resulting contract whether order set-asides will be discretionary or mandatory when the conditions in 19.502-2 are met at the time of order set-aside, and the specific program eligibility requirements, as applicable, are also then met.

(2) When setting aside an order at or below the *simplified acquisition threshold*, the *contracting officer may* set aside the order for any of the small business *concerns* identified in 19.000(a)(3).

(3) When setting aside an order above the *simplified acquisition threshold*, the *contracting officer shall* first consider setting aside the order for the small business socioeconomic *contracting* programs (*i.e.*, 8(a), *HUBZone*, service-disabled veteran-owned small business, and women-owned small business) before considering a small business set-aside.

(4) The *contracting officer shall* comply with the specific program eligibility requirements identified in this part in addition to the ordering procedures for a *multiple-award contract* (for orders placed under the Federal Supply Schedules Program, see 8.405-5; for orders placed under all other *multiple-award contracts*, see 16.505).

(b) *Orders under set-aside contracts*—

(1) *Orders under total set-aside contracts*. Under a total small business set-aside, *contracting officers may* at their discretion set aside orders for any of the small business socioeconomic *concerns* identified in 19.000(a)(3) provided that the requirements at paragraph (a) of this section, 19.502-2(b), and the specific program eligibility requirements are met.

(2) *Orders under partial set-aside contracts*.

(i) Only small business *concerns* awarded contracts for the portion(s) that were set aside under the

*solicitation for the multiple-award contract may compete for orders issued under those portion(s).*

(ii) Small business awardees *may* compete against other than small business awardees for an order issued under the portion of the *multiple-award contract* that was not set aside, if the small business received a contract award for the non-set-aside portion.

(c) *Orders under reserves.*

(1) The *contracting officer may—*

(i) Set aside orders for any of the small business *concerns* identified in 19.000(a)(3) when there are two or more contract awards for that type of small business *concern*; or

(ii) Issue orders directly to one small business *concern* for work that it can perform when there is only one contract award to any one type of small business *concern* identified in 19.000(a)(3).

(2) Small business awardees *may* compete against other than small business awardees for an order that is not set aside if the small business received a contract award for the *supplies* or services being ordered.

## **19.505 Limitations on subcontracting and nonmanufacturer rule.**

(a) *Applicability.*

(1) This section applies to small business set-asides above the *simplified acquisition threshold* and orders issued directly to a small business in accordance with 19.504(c)(1)(ii) above the *simplified acquisition threshold*.

(2) This section applies, regardless of dollar value, to the following awards under subparts 19.8, 19.13, 19.14, and 19.15:

(i) Contracts that are set aside.

(ii) Contracts that are awarded on a sole-source basis.

(iii) Orders that are set-aside as described in 8.405-5 and 16.505(b)(2)(i)(F).

(iv) Orders that are issued directly in accordance with 19.504(c)(1)(ii).

(v) Contracts that use the *HUBZone* price evaluation preference to award to a *HUBZone* small business *concern* unless the *concern* waived the evaluation preference.

(b)

(1) *Limitations on subcontracting.* A small business *concern* subject to the limitations on subcontracting is required to comply with the following:

(i) For a contract or order assigned a North American *Industry Classification System* (NAICS) code for services (except *construction*), the *concern* will not pay more than 50 percent of the amount paid by the Government for contract performance to subcontractors that are not *similarly situated*

*entities*. Any work that a *similarly situated entity* further subcontracts will count towards the *concern's* 50 percent subcontract amount that cannot be exceeded. When a contract includes both services and *supplies*, the 50 percent limitation *shall* apply only to the service portion of the contract.

(ii) For a contract or order assigned a NAICS code for *supplies* or *products* (other than a *procurement* from a nonmanufacturer of such *supplies* or *products*), the *concern* will not pay more than 50 percent of the amount paid by the Government for contract performance, excluding the cost of materials, to subcontractors that are not *similarly situated entities*. Any work that a *similarly situated entity* further subcontracts will count towards the *concern's* 50 percent subcontract amount that cannot be exceeded. When a contract includes both *supplies* and services, the 50 percent limitation *shall* apply only to the supply portion of the contract.

(iii) For a contract or order assigned a NAICS code for general *construction*, the *concern* will not pay more than 85 percent of the amount paid by the Government for contract performance, excluding the cost of materials, to subcontractors that are not *similarly situated entities*. Any work that a *similarly situated entity* further subcontracts will count towards the *concern's* 85 percent subcontract amount that cannot be exceeded.

(iv) For a contract or order assigned a NAICS code for *construction* by special trade contractors, the *concern* will not pay more than 75 percent of the amount paid by the Government for contract performance, excluding the cost of materials, to subcontractors that are not *similarly situated entities*. Any work that a *similarly situated entity* further subcontracts will count towards the *concern's* 75 percent subcontract amount that cannot be exceeded.

(2) *Compliance period*. A small business contractor subject to the limitations on subcontracting is required to comply with the limitations on subcontracting—

(i) For a contract that has been set aside, either by the end of the base term and then by the end of each subsequent *option* period, or by the end of the performance period for each order issued under the contract, at the *contracting officer's* discretion; and

(ii) For an order set aside under a contract as described in 19.504(a), (b), or (c)(1)(i) or an order issued in accordance with 19.504(c)(1)(ii), by the end of the performance period for the order.

(c) *Nonmanufacturer rule*. The nonmanufacturer rule applies to nonmanufacturers in accordance with paragraph (c)(1) of this section and to kit assemblers who are nonmanufacturers in accordance with paragraph (c)(2) of this section.

(1) *Nonmanufacturers*. Any *concern*, including a supplier, that is awarded a contract or order subject to the nonmanufacturer rule, other than a *construction* or service *acquisition*, but proposes to furnish an end item that it did not itself manufacture, process, or produce (*i.e.*, a “nonmanufacturer”), is required to—

(i) Provide an end item that a small business has manufactured, processed, or produced in the *United States* or its *outlying areas* (see paragraph (c)(3) of this section for determining the manufacturer of an end item);

(ii) Not exceed 500 employees, or 150 employees for *information technology* value-added resellers under NAICS code 541519;

(iii) Be primarily engaged in the retail or wholesale trade and normally sell the type of item being supplied; and

(iv) Take ownership or possession of the item(s) with its personnel, equipment, or facilities in a manner consistent with *industry* practice; for example, providing storage, transportation, or delivery.

(2) *Kit assemblers*. When the end item being acquired is a kit of *supplies*—

(i) The *offeror* may not exceed 500 employees, or 150 employees for *information technology* value-added resellers under NAICS code 541519; and

(ii) At least 50 percent of the total cost of the *components* of the kit shall be manufactured, processed, or produced in the *United States* or its *outlying areas* by business concerns that are small under the size standards for the NAICS codes of the *components* of the kit.

(3) *Identification of manufacturers*. For the purposes of applying the nonmanufacturer rule, the manufacturer, processor, or producer is the *concern* that manufactures, processes, or produces an end item with its own facilities (i.e., transforms raw materials, miscellaneous parts, or *components* into the end item being acquired). See [13 CFR 121.406\(b\)\(2\)](#).

(4) *Waiver of nonmanufacturer rule*.

(i) The SBA may grant an individual or a class waiver to the nonmanufacturer rule to allow a nonmanufacturer to provide an end item of an other than small business without regard to the place of manufacture, processing, or production.

(A) *Class waiver*. An agency may request that SBA waive the requirement at paragraph (c)(1)(i) or (c)(2)(ii) of this section for a specific product or class of *products*. See [13 CFR 121.1202](#) for an explanation of when SBA will issue a class waiver.

(B) *Individual waiver*. The *contracting officer* may also request a waiver of the requirements at paragraph (c)(1)(i) or (c)(2)(ii) of this section for an individual *acquisition* once the *contracting officer* determines through *market research* that no known small business manufacturers, processors, or producers in the *United States* or its *outlying areas* can reasonably be expected to offer an end item meeting the requirements of the *solicitation*. This type of waiver is known as an individual waiver and would apply only to a specific *acquisition*.

(ii) *Waiver requests*. Requests for waivers shall include the content specified at [13 CFR 121.1204](#) and shall be sent via email to [nmrwaivers@sba.gov](mailto:nmrwaivers@sba.gov) or by mail to the—Director, Office of Government Contracting, Small Business Administration, 409 Third Street SW, Washington, DC 20416.

(iii) *List of class waivers*. For the most current listing of class waivers, contact the SBA Office of Government Contracting or go to <https://www.sba.gov/document/support-non-manufacturer-rule-class-waiver-list>.

(iv) *Notification of waiver*. The *contracting officer* shall provide potential *offerors* with written notification of any class or individual waiver in the *solicitation*. If providing the notification after *solicitation* issuance, the *contracting officer* shall provide potential *offerors* a reasonable amount of additional time to respond to the *solicitation*.

(5) *Multiple-item acquisitions*.

(i) If at least 50 percent of the estimated contract value is composed of items that are manufactured,

processed, or produced by small business *concerns*, then a waiver of the nonmanufacturer rule is not required. There is no requirement that each item acquired in a multiple-item *acquisition* be manufactured, processed, or produced by a small business in the *United States* or its *outlying areas*.

(ii) If more than 50 percent of the estimated *acquisition* cost is composed of items manufactured, processed, or produced by other than small business *concerns*, then a waiver is required. SBA may grant an individual waiver for one or more items in an *acquisition* in order to ensure that at least 50 percent of the cost of the items to be supplied by the nonmanufacturer comes from small business manufacturers, processors, and producers in the *United States* or its *outlying areas* or are subject to a waiver.

(iii) If a small business *offeror* is both a manufacturer of item(s) and a nonmanufacturer of other item(s) for an *acquisition*, the *contracting officer shall* apply the manufacturer size standard.

### **19.506 Documentation requirements.**

(a)

(1) The *contracting officer shall* document the rationale when a contract is not totally set aside for small business in accordance with [19.502-2](#).

(2) The *contracting officer shall* document the rationale when a *multiple-award contract* is not partially set aside, not reserved, and does not allow for setting aside of orders, when these authorities could have been used.

(b) If applicable, the documentation *shall* include the rationale for not accepting the recommendations made by the agency Director of the Office of Small and Disadvantaged Business Utilization, or, for the Department of Defense, the Director of the Office of Small Business Programs, or the Director's designee, as to whether a particular *acquisition should* be awarded under subparts [19.5](#), [19.8](#), [19.13](#), [19.14](#), or [19.15](#).

(c) Documentation is not required if a contract award is anticipated to a small business under subpart [19.5](#), [19.8](#), [19.13](#), [19.14](#), or [19.15](#).

### **19.507 Solicitation provisions and contract clauses.**

(a) [Reserved]

(b) [Reserved]

(c) The *contracting officer shall* insert the clause at [52.219-6](#), Notice of Total Small Business Set-Aside, in *solicitations* and contracts involving total small business set-asides. This includes *multiple-award contracts* when orders may be set aside for any of the small business *concerns* identified in [19.000\(a\)\(3\)](#), as described in [8.405-5](#) and [16.505\(b\)\(2\)\(i\)\(F\)](#). Use the clause at [52.219-6](#) with its *Alternate I* when including FPI in the competition in accordance with [19.502-7](#).

(d) The *contracting officer shall* insert the clause at [52.219-7](#), Notice of Partial Small Business Set-Aside, in *solicitations* and contracts involving partial small business set-asides. This includes part or parts of *multiple-award contracts*, including those described in [38.101](#). Use the clause at [52.219-7](#)



with its *Alternate I* when including FPI in the competition in accordance with 19.502-7.

(e) The *contracting officer shall* insert the clause at 52.219-14, Limitations on Subcontracting, in *solicitations* and contracts—

(1) For *supplies, services, and construction*, if any portion of the requirement is to be set aside for small business and the contract amount is expected to exceed the *simplified acquisition threshold*, and in any *solicitations* and contracts that are set aside or awarded on a sole-source basis in accordance with subparts 19.8, 19.13, 19.14, or 19.15, regardless of dollar value. This includes *multiple-award contracts* when orders *may* be set aside for small business *concerns*, as described in 8.405-5 and 16.505(b)(2)(i)(F), and when orders *may* be issued directly to a small business *concern* as described in 19.504(c)(1)(ii). For contracts that are set aside, the *contracting officer shall* indicate in paragraph (f) of the clause whether compliance with the limitations on subcontracting is required at the contract or order level;

(2) *Using the HUBZone price evaluation preference*. However, if the prospective contractor waived the use of the price evaluation preference, or is an other than small business, do not insert the clause in the resultant contract.

(f)

(1) The *contracting officer shall* insert the clause at 52.219-13, Notice of Set-Aside of Orders, in all *solicitations* for *multiple-award contracts* under which orders *may* be set aside for any of the small business *concerns* identified in 19.000(a)(3), and all contracts awarded from such *solicitations*.

(2) The *contracting officer shall* insert the clause at 52.219-13 with its *Alternate I* in all full and open *solicitations* and contracts for *multiple-award contracts* under which orders will be set aside for any of the small business *concerns* identified in 19.000(a)(3) if the conditions in 19.502-2 are met at the time of order set-aside, and the specific program eligibility requirements, as applicable, are also then met.

(g)

(1) The *contracting officer shall* insert the provision at 52.219-31, Notice of Small Business Reserve, in *solicitations* for *multiple-award contracts* that have reserves.

(2) The *contracting officer shall* insert the clause at 52.219-32 Orders Issued Directly Under Small Business Reserves, in *solicitations* and the resulting *multiple-award contracts* that have reserves.

(h)

(1) The *contracting officer shall* insert the clause at 52.219-33, Nonmanufacturer Rule, in *solicitations* and contracts, including *multiple-award contracts*, when orders *may* be set aside for small business *concerns* as described in 8.405-5 and 16.505(b)(2)(i)(F), and when orders *may* be issued directly to a small business *concern* as described in 19.504(c)(1)(ii), when—

(i) the item being acquired has been assigned a manufacturing or supply NAICS code, and—

(ii)

(A) Any portion of the requirement is to be-

(1) Set aside for small business and is expected to exceed the *simplified acquisition threshold*; or

(2) Set aside or awarded on a sole-source basis in accordance with subparts [19.8](#), [19.13](#), [19.14](#), or [19.15](#), regardless of dollar value; or

(B) *Using the HUBZone price evaluation preference*. However, if the prospective contractor waived the use of the price evaluation preference, or is an other than small business, do not insert the clause in the resultant contract.

(2) The *contracting officer shall* not insert the clause at [52.219-33](#) when the Small Business Administration has waived the nonmanufacturer rule (see [19.505\(c\)\(4\)](#)).

## **Subpart 19.6 - Certificates of Competency and Determinations of Responsibility**

### **19.601 General.**

(a) A Certificate of Competency (COC) is the certificate issued by the Small Business Administration (SBA) stating that the holder is responsible (with respect to all elements of responsibility, including, but not limited to, capability, competency, capacity, credit, integrity, perseverance, tenacity, and limitations on subcontracting) for the purpose of receiving and performing a specific Government contract.

(b) The COC program empowers the SBA to certify to Government *contracting officers* as to all elements of responsibility of any small business *concern* to receive and perform a specific Government contract. The COC program does not extend to questions concerning regulatory requirements imposed and enforced by other *Federal agencies*.

(c) The COC program is applicable to all Government *acquisitions* except for 8(a) sole-source awards. A *contracting officer shall*, upon determining an apparent successful small business *offeror* to be nonresponsible, refer that small business to the SBA for a possible COC, even if the next acceptable *offer* is from a small business.

(d) When a *solicitation* requires a small business to adhere to the limitations on subcontracting, a *contracting officer's* finding that a small business cannot comply with the limitation *shall* be treated as an element of responsibility and *shall* be subject to the COC process. When a *solicitation* requires a small business to adhere to the definition of a nonmanufacturer, a *contracting officer's* determination that the small business does not comply *shall* be processed in accordance with [subpart 19.3](#).

(e) *Contracting officers*, including those located overseas, are required to comply with this subpart for U.S. small business *concerns*.

(f) For the purpose of receiving a COC on an unrestricted *acquisition*, a small business nonmanufacturer *may* furnish any end item produced or manufactured in the *United States* or its *outlying areas*.

## 19.602 Procedures.

### 19.602-1 Referral.

(a) Upon determining and documenting that an apparent successful small business *offeror* lacks certain elements of responsibility (including, but not limited to, capability, competency, capacity, credit, integrity, perseverance, tenacity, and limitations on subcontracting, but for *sureties* see 28.101-3(f) and 28.203-1(e)), the *contracting officer shall*-

(1) Withhold contract award (see 19.602-3); and

(2) Refer the matter to the cognizant SBA Government *Contracting* Area Office (Area Office) serving the area in which the headquarters of the *offeror* is located, in accordance with agency procedures, except that referral is not necessary if the small business *concern*-

(i) Is determined to be unqualified and *ineligible* because it does not meet the standard in 9.104-1(g), provided, that the determination is approved by the chief of the *contracting office*; or

(ii) Is suspended or debarred under Executive Order 11246 or subpart 9.4.

(b) If a partial set-aside is involved, the *contracting officer shall* refer to the SBA the entire quantity to which the *concern may* be entitled, if responsible.

(c) The referral *shall* include-

(1) A notice that a small business *concern* has been determined to be nonresponsible, specifying the elements of responsibility the *contracting officer* found lacking; and

(2) If applicable, a copy of the following:

(i) *Solicitation*.

(ii) Final *offer* submitted by the *concern* whose responsibility is at issue for the *procurement*.

(iii) Abstract of bids or the *contracting officer's* price negotiation memorandum.

(iv) *Preaward survey*.

(v) *Technical data* package (including drawings, specifications and statement of work).

(vi) Any other justification and documentation used to arrive at the nonresponsibility determination.

(d) For any single *acquisition*, the *contracting officer shall* make only one referral at a time regarding a determination of nonresponsibility.

(e) Contract award *shall* be withheld by the *contracting officer* for a period of 15 business days (or longer if agreed to by the SBA and the *contracting officer*) following receipt by the appropriate SBA Area Office of a referral that includes all required documentation.

## **19.602-2 Issuing or denying a Certificate of Competency (COC).**

Within 15 business days (or a longer period agreed to by the SBA and the *contracting* agency) after receiving a notice that a small business *concern* lacks certain elements of responsibility, the SBA Area Office will take the following actions:

(a) Inform the small business *concern* of the *contracting officer's* determination and *offer* it an opportunity to apply to the SBA for a COC. (A *concern* wishing to apply for a COC *should* notify the SBA Area Office serving the geographical area in which the headquarters of the *offeror* is located.)

(b) Upon timely receipt of a complete and acceptable application, elect to visit the applicant's facility to review its responsibility.

(1) The COC review process is not limited to the areas of nonresponsibility cited by the *contracting officer*.

(2) The SBA *may*, at its discretion, independently evaluate the COC applicant for all elements of responsibility, but *may* presume responsibility exists as to elements other than those cited as deficient.

(c) Consider denying a COC for reasons of nonresponsibility not originally cited by the *contracting officer*.

(d) When the Area Director determines that a COC is warranted (for contracts valued at \$25,000,000 or less), notify the *contracting officer* and provide the following *options*:

(1) Accept the Area Director's decision to issue a COC and award the contract to the *concern*. The COC issuance letter will then be sent, including as an attachment a detailed rationale for the decision; or

(2) Ask the Area Director to suspend the case for one or more of the following purposes:

(i) To permit the SBA to forward a detailed rationale for the decision to the *contracting officer* for review within a specified period of time.

(ii) To afford the *contracting officer* the opportunity to meet with the Area Office to review all documentation contained in the case file and to attempt to resolve any issues.

(iii) To submit any information to the SBA Area Office that the *contracting officer* believes the SBA did not consider (at which time, the SBA Area Office will establish a new suspense date mutually agreeable to the *contracting officer* and the SBA).

(iv) To permit resolution of an appeal by the *contracting* agency to SBA Headquarters under [19.602-3](#). However, there is no *contracting officer's* appeal when the Area Office proposes to issue a COC valued at \$100,000 or less.

(e) At the completion of the process, notify the *concern* and the *contracting officer* that the COC is denied or is being issued.

(f) Refer recommendations for issuing a COC on contracts greater than \$25,000,000 to SBA Headquarters.

### **19.602-3 Resolving differences between the agency and the Small Business Administration.**

(a) COCs valued between \$100,000 and \$25,000,000.

(1) When disagreements arise about a *concern's* ability to perform, the *contracting officer* and the SBA *shall* make every effort to reach a resolution before the SBA takes final action on a COC. This *shall* be done through the complete exchange of information and in accordance with agency procedures. If agreement cannot be reached between the *contracting officer* and the SBA Area Office, the *contracting officer shall* request that the Area Office suspend action and refer the matter to SBA Headquarters for review. The SBA Area Office *shall* honor the request for a review if the *contracting officer* agrees to withhold award until the review process is concluded. Without an agreement to withhold award, the SBA Area Office will issue the COC in accordance with applicable SBA regulations.

(2) SBA Headquarters will furnish written notice to the procuring agency's Director of the, *Office of Small and Disadvantaged Business Utilization* (OSDBU) or, for the Department of Defense, the Director of the Office of Small Business Programs, or other designated official (with a copy to the *contracting officer*) that the case file has been received and that an appeal decision *may* be requested by an authorized official.

(3) If the *contracting* agency decides to file an appeal, it *must* notify SBA Headquarters through its procuring agency's Director, OSDBU, or other designated official, within 10 business days (or a time period agreed upon by both agencies) that it intends to appeal the issuance of the COC.

(4) The appeal and any supporting documentation *shall* be filed by the procuring agency's Director, OSDBU, or other designated official, within 10 business days (or a period agreed upon by both agencies) after SBA Headquarters receives the agency's notification in accordance with paragraph (a)(3) of this subsection.

(5) The SBA Associate Administrator for Government *Contracting* will make a final determination, *in writing*, to issue or to deny the COC.

(b) SBA Headquarters' decisions on COCs valued over \$25,000,000.

(1) Prior to taking final action, SBA Headquarters will contact the *contracting* agency and *offer* it the following *options*:

(i) To request that the SBA suspend case processing to allow the agency to meet with SBA Headquarters personnel and review all documentation contained in the case file; or

(ii) To submit to SBA Headquarters for evaluation any information that the *contracting* agency believes has not been considered.

(2) After reviewing all available information, the SBA will make a final decision to either issue or deny the COC.

(c) Reconsideration of a COC after issuance.

(1) The SBA reserves the right to reconsider its issuance of a COC, prior to contract award, if-

- (i) The COC applicant submitted false information or omitted materially adverse information; or
  - (ii) The COC has been issued for more than 60 days (in which case the SBA *may* investigate the firm's current circumstances).
- (2) When the SBA reconsiders and reaffirms the COC, the procedures in subsection 19.602-2 do not apply.
- (3) Denial of a COC by the SBA does not preclude a *contracting officer* from awarding a contract to the referred *concern*, nor does it prevent the *concern* from making an *offer* on any other *procurement*.

#### **19.602-4 Awarding the contract.**

- (a) If new information causes the *contracting officer* to determine that the *concern* referred to the SBA is actually responsible to perform the contract, and award has not already been made under paragraph (c) of this subsection, the *contracting officer shall* reverse the determination of nonresponsibility, notify the SBA of this action, withdraw the referral, and proceed to award the contract.
- (b) The *contracting officer shall* award the contract to the *concern* in question if the SBA issues a COC after receiving the referral. An SBA-certified *concern shall* not be required to meet any other requirements of responsibility. SBA COC's are conclusive with respect to all elements of responsibility of prospective small business contractors. Where SBA issues a COC, the *contracting officer may* decide not to award to that *offeror* for reasons unrelated to responsibility.
- (c) The *contracting officer shall* proceed with the *acquisition* and award the contract to another appropriately selected and responsible *offeror* if the SBA has not issued a COC within 15 business days (or a longer period of time agreed to with the SBA) after receiving the referral.

## **Subpart 19.7 - The Small Business Subcontracting Program**

### **19.701 Definitions.**

As used in this subpart-

*Alaska Native Corporation (ANC)* means any Regional Corporation, Village Corporation, Urban Corporation, or Group Corporation organized under the laws of the State of Alaska in accordance with the Alaska Native *Claims Settlement Act*, as amended (43 U.S.C. 1601, et seq.) and which is considered a minority and economically disadvantaged *concern* under the criteria at 43 U.S.C. 1626(e)(1). This definition also includes ANC direct and indirect subsidiary corporations, joint ventures, and partnerships that meet the requirements of 43 U.S.C. 1626(e)(2).

*Commercial plan* means a subcontracting plan (including goals) that covers the *offeror's* fiscal year and that applies to the entire production of *commercial products* and performance of *commercial services* sold by either the entire company or a portion thereof (*e.g.*, division, plant, or product line).

*Electronic Subcontracting Reporting System (eSRS)* means the Governmentwide, electronic, web-

based system for small business subcontracting program reporting.

*Failure to make a good faith effort to comply with the subcontracting plan* means willful or intentional failure to perform in accordance with the requirements of the subcontracting plan, or willful or intentional action to frustrate the plan.

*Indian tribe* means any Indian tribe, band, group, pueblo, or community, including native villages and native groups (including corporations organized by Kenai, Juneau, Sitka, and Kodiak) as defined in the Alaska Native *Claims Settlement Act* (43 U.S.C.A. 1601 *et seq.*), that is recognized by the Federal Government as eligible for services from the Bureau of Indian Affairs in accordance with [25 U.S.C. 1452\(c\)](#). This definition also includes Indian-owned economic enterprises that meet the requirements of [25 U.S.C. 1452\(e\)](#).

*Individual subcontracting plan* means a subcontracting plan that covers the entire contract period (including *option* periods), applies to a specific contract, and has goals that are based on the offeror's planned subcontracting in support of the specific contract, except that *indirect costs* incurred for common or joint purposes *may* be allocated on a prorated basis to the contract.

*Master subcontracting plan* means a subcontracting plan that contains all the required elements of an *individual subcontracting plan*, except goals, and *may* be incorporated into *individual subcontracting plans*, provided the *master subcontracting plan* has been approved.

*Reduced Payment* means a payment that is for less than the amount agreed upon in a *subcontract* in accordance with its terms and conditions, for *supplies* and services for which the Government has paid the prime contractor.

*Subcontract* means any agreement (other than one involving an employer-employee relationship) entered into by a Government prime contractor or subcontractor calling for *supplies* and/or services required for performance of the contract, *contract modification*, or *subcontract*.

*Total contract dollars* means the final anticipated dollar value, including the dollar value of all *options*.

*Untimely Payment* means a payment to a subcontractor that is more than 90 days past due under the terms and conditions of a *subcontract* for *supplies* and services for which the Government has paid the prime contractor.

## **19.702 Statutory requirements.**

Any contractor receiving a contract with a value greater than the *simplified acquisition threshold* must agree in the contract that small business, veteran-owned small business (VOSB), service-disabled veteran-owned small business (SDVOSB), *HUBZone* small business, small disadvantaged business (SDB), and women-owned small business (WOSB) *concerns* will have the maximum practicable opportunity to participate in contract performance consistent with its efficient performance. It is further the policy of the United States that its prime contractors establish procedures to ensure the timely payment of amounts due pursuant to the terms of their *subcontracts* with small business, VOSB *concerns*, SDVOSB *concerns*, *HUBZone* small business *concerns*, SDB *concerns*, and WOSB *concerns*.

(a)

(1) Except as stated in paragraph (b) of this section, section 8(d) of the Small Business Act ([15 U.S.C. 637\( d\)](#)) imposes the following requirements regarding subcontracting with small businesses and small business subcontracting plans:

(i) In negotiated *acquisitions*, each *solicitation* of offers to perform a contract that is expected to exceed \$750,000 (\$1.5 million for *construction*) and that has subcontracting possibilities, *shall* require the apparently successful *offeror* to submit an acceptable subcontracting plan. If the apparently successful *offeror* fails to negotiate a subcontracting plan acceptable to the *contracting officer* within the time limit prescribed by the *contracting officer*, the *offeror* will be *ineligible* for award. For a *multiple-award contract* with more than one North American Industry Classification System (NAICS) code, see paragraph (a)(2)(i) of this section.

(ii) In sealed bidding *acquisitions*, each invitation for bids to perform a contract that is expected to exceed \$750,000 (\$1.5 million for *construction*) and that has subcontracting possibilities, *shall* require the bidder selected for award to submit a subcontracting plan. If the selected bidder fails to submit a plan within the time limit prescribed by the *contracting officer*, the bidder will be *ineligible* for award. For a *multiple-award contract* with more than one NAICS code, see paragraph (a)(2)(i) of this section.

(iii) Each *contract modification* that causes the value of a contract without a subcontracting plan to exceed \$750,000 (\$1.5 million for *construction*), *shall* require the contractor to submit a subcontracting plan for the contract, if the *contracting officer* determines that subcontracting opportunities exist. For a *multiple-award contract* with more than one NAICS code, see paragraph (a)(2)(ii) of this section.

(2)

(i) For a *multiple-award contract* with more than one NAICS code, the *solicitation* referenced in paragraphs (a)(1)(i) and (ii) of this section *shall* require the apparently successful *offeror* to submit an acceptable subcontracting plan for either the distinct portion(s) or category(ies) of their proposal for which the *offeror* is other than small or for the entirety of their proposal, at the *offeror's* discretion. When determining the need for a subcontracting plan, the *contracting officer shall* consider the cumulative dollar value of the portion(s) or category(ies) of the *offeror's* proposal for which the *offeror* is other than small.

(ii) For a *multiple-award contract* with more than one NAICS code, the modification referenced in paragraph (a)(1)(iii) of this section *shall* require the contractor to submit an acceptable subcontracting plan for either the distinct portion(s) or category(ies) of the contract for which the contractor is other than small or for the entirety of their contract, at the contractor's discretion. When determining the need for a subcontracting plan, the *contracting officer shall* consider the cumulative dollar value of the portion(s) or category(ies) of the contract for which the contractor is other than small.

(b) Subcontracting plans (see paragraphs (a)(1) and (2) of this section) are not required-

(1) From small business *concerns*;

(2) For *personal services contracts*;

(3) For contracts or *contract modifications* that will be performed entirely outside of the *United States* and its *outlying areas*; or



(4) For modifications that are within the scope of the contract and the contract does not contain the clause at 52.219-8, *Utilization of Small Business Concerns*.

(c) As stated in 15 U.S.C. 637(d)(9), any contractor or subcontractor failing to comply in good faith with the requirements of the subcontracting plan is in material breach of its contract. Further, 15 U.S.C. 637(d)(4)(F) directs that a contractor's failure to make a good faith effort to comply with the requirements of the subcontracting plan *shall* result in the imposition of liquidated damages.

(d) As authorized by 15 U.S.C. 637(d)(12), certain costs incurred by a mentor firm in providing developmental assistance to a protégé firm under the Department of Defense Mentor-Protégé Program, *may* be credited as if they were *subcontract* awards to a protégé firm for the purpose of determining whether the mentor firm attains the applicable goals under any subcontracting plan entered into with any *executive agency*. However, the mentor-protégé agreement *must* have been approved by the Director, Small Business Programs of the cognizant DoD military department or defense agency, before developmental assistance costs *may* be credited against *subcontract* goals. A list of approved agreements *may* be obtained at <https://business.defense.gov/Programs/Mentor-Protége-Program/>.

### **19.703 Eligibility requirements for participating in the program.**

(a) Except as provided in paragraph (c) of this section, to be eligible as a subcontractor under the program, a *concern must* represent itself as a small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, or *women-owned small business concern*.

(1) To represent itself as a small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, or *women-owned small business concern*, a *concern must* meet the appropriate definition (see 2.101 and 19.001). For subcontracting purposes, a *concern* is small if it does not exceed the size standard for the NAICS code that the prime contractor determines best describes the product or service being acquired by the *subcontract*.

(2)

(i) The prime contractor *may* accept a subcontractor's written representations of its size and socioeconomic status as a small business, small disadvantaged business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, or a women-owned small business, if the subcontractor represents that the size and socioeconomic status representation with its *offer* are current, accurate, and complete as of the date of the *offer* for the *subcontracts*; or

(ii) The prime contractor *may* accept a subcontractor's representation of its size and socioeconomic status as a small business, small disadvantaged business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, or a women-owned small business in the *System for Award Management (SAM)* if-

(A) The subcontractor is registered in SAM; and

(B) The subcontractor represents that the size and socioeconomic status representations made in SAM are current, accurate and complete as of the date of the *offer* for the *subcontract*.

- (iii) The prime contractor *may* not require the use of SAM for the purposes of representing size or socioeconomic status in connection with a *subcontract*.
- (iv) In accordance with 13 CFR 121.411, 126.900, 127.700, and 128.600, a prime contractor acting in good faith is not liable for misrepresentations made by its subcontractors regarding the subcontractor's size or socioeconomic status.
- (b) The contractor, the *contracting officer*, or any other interested party can challenge a subcontractor's size status representation by filing a protest, in accordance with 13 CFR 121.1001 through 121.1008.
- (c)
- (1) In accordance with [43 U.S.C. 1626](#), the following procedures apply:
- (i) *Subcontracts* awarded to an ANC or Indian tribe *shall* be counted towards the subcontracting goals for small business and small disadvantaged business (SDB) *concerns*, regardless of the size or Small Business Administration certification status of the ANC or Indian tribe.
- (ii) Where one or more subcontractors are in the *subcontract* tier between the prime contractor and the ANC or Indian tribe, the ANC or Indian tribe *shall* designate the appropriate contractor(s) to count the *subcontract* towards its small business and small disadvantaged business subcontracting goals.
- (A) In most cases, the appropriate contractor is the contractor that awarded the *subcontract* to the ANC or Indian tribe.
- (B) If the ANC or Indian tribe designates more than one contractor to count the *subcontract* toward its goals, the ANC or Indian tribe *shall* designate only a portion of the total *subcontract* award to each contractor. The sum of the amounts designated to various contractors cannot exceed the total value of the *subcontract*.
- (C) The ANC or Indian tribe *shall* give a copy of the written designation to the *contracting officer*, the prime contractor, and the subcontractors in between the prime contractor and the ANC or Indian tribe within 30 days of the date of the *subcontract* award.
- (D) If the *contracting officer* does not receive a copy of the ANC's or the Indian tribe's written designation within 30 days of the *subcontract* award, the contractor that awarded the *subcontract* to the ANC or Indian tribe will be considered the designated contractor.
- (2) A contractor acting in good faith *may* rely on the written representation of an ANC or an Indian tribe as to the status of the ANC or Indian tribe unless an interested party challenges its status or the *contracting officer* has independent reason to question its status. In the event of a challenge of a representation of an ANC or Indian tribe, the interested parties *shall* follow the procedures at [26.103\(b\)](#) through (e).
- (d) Protests challenging the socioeconomic status of a *HUBZone* small business *concern* *must* be filed in accordance with [13 CFR 126.801](#).

## 19.704 Subcontracting plan requirements.

(a) Each subcontracting plan required under [19.301-2\(e\)](#) and [19.702\(a\)\(1\)\(i\)](#), (ii), and (iii) shall include-

(1) Separate percentage goals for using small business (including ANCs and Indian tribes), veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business (including ANCs and Indian tribes) and *women-owned small business concerns* as subcontractors;

(2) A statement of the total dollars planned to be subcontracted and a statement of the total dollars planned to be subcontracted to small business (including ANCs and Indian tribes), veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business (including ANCs and Indian tribes) and *women-owned small business concerns*, as a percentage of total *subcontract* dollars. For *individual subcontracting plans* only, a *contracting officer* may require the goals referenced in paragraph (a)(1) of this section to be calculated as a percentage of *total contract dollars*, in addition to the goals established as a percentage of total *subcontract* dollars;

(3) A description of the principal types of *supplies* and services to be subcontracted and an identification of types of *supplies* or services planned for subcontracting to small business (including ANCs and Indian tribes), veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business (including ANCs and Indian tribes), and *women-owned small business concerns*;

(4) A description of the method used to develop the subcontracting goals;

(5) A description of the method used to identify potential sources for *solicitation* purposes;

(6) A statement as to whether or not the *offeror* included *indirect costs* in establishing subcontracting goals (for commercial plans, see paragraph (d) of this section), and a description of the method used to determine the proportionate share of *indirect costs* to be incurred with small business (including ANCs and Indian tribes), veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business (including ANCs and Indian tribes), and *women-owned small business concerns*;

(7) The name of an individual employed by the *offeror* who will administer the *offeror's* subcontracting program, and a description of the duties of the individual;

(8) A description of the efforts the *offeror* will make to ensure that small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and *women-owned small business concerns* have an equitable opportunity to compete for *subcontracts*;

(9) Assurances that the *offeror* will include the clause at [52.219-8](#), Utilization of Small Business Concerns (see [19.708\(a\)](#)), in all *subcontracts* that *offer* further subcontracting opportunities, and that the *offeror* will require all subcontractors (except small business concerns) that receive *subcontracts* in excess of \$750,000 (\$1.5 million for *construction*) to adopt a plan that complies with the requirements of the clause at [52.219-9](#), Small Business Subcontracting Plan (see [19.708\(b\)](#));

(10) Assurances that the *offeror* will-

(i) Cooperate in any studies or surveys as *may* be required;

(ii) Submit periodic reports so that the Government can determine the extent of compliance by the *offeror* with the subcontracting plan;

(iii) After November 30, 2017, include subcontracting data for each order when reporting subcontracting achievements for indefinite-delivery, indefinite-quantity contracts with *individual subcontracting plans* where the contract is intended for use by multiple agencies;

(iv) Submit the Individual *Subcontract Report* (ISR), and the Summary *Subcontract Report* (SSR) using the *Electronic Subcontracting Reporting System (eSRS)* (<http://www.esrs.gov>), following the instructions in the eSRS.

(A) The ISR *shall* be submitted semi-annually during contract performance for the periods ending March 31 and September 30. A report is also required for each contract within 30 days of contract completion. Reports are due 30 days after the close of each reporting period, unless otherwise directed by the *contracting officer*. Reports are required when due, regardless of whether there has been any subcontracting activity since the inception of the contract or the previous reporting period. When a *contracting officer* rejects an ISR, the contractor is required to submit a revised ISR within 30 days of receiving the notice of the ISR rejection.

(B) The SSR *shall* be submitted annually by October 30 for the twelve-month period ending September 30. When an SSR is rejected, the contractor is required to submit a revised SSR within 30 days of receiving the notice of SSR rejection;

(v) Ensure that its subcontractors with subcontracting plans agree to submit the ISR and/or the SSR using the eSRS;

(vi) Provide its prime contract number, its *unique entity identifier*, and the e-mail address of the *offeror's* official responsible for acknowledging receipt of or rejecting the ISRs to all first-tier subcontractors with subcontracting plans so they can enter this information into the eSRS when submitting their ISRs; and

(vii) Require that each subcontractor with a subcontracting plan provide the prime contract number, its own *unique entity identifier*, and the e-mail address of the subcontractor's official responsible for acknowledging receipt of or rejecting the ISRs, to its subcontractors with subcontracting plans;

(11) A description of the types of records that will be maintained concerning procedures adopted to comply with the requirements and goals in the plan, including establishing source lists; and a description of the *offeror's* efforts to locate small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and *women-owned small business concerns* and to award *subcontracts* to them;

(12) Assurances that the *offeror* will make a good faith effort to acquire articles, equipment, *supplies*, services, or materials, or obtain the performance of *construction* work from the small business *concerns* that the *offeror* used in preparing the bid or proposal, in the same or greater scope, amount, and quality used in preparing and submitting the bid or proposal. Responding to a request for a quote does not constitute use in preparing a bid or proposal. An *offeror* used a small business *concern* in preparing the bid or proposal if-

(i) The *offeror* identifies the small business *concern* as a subcontractor in the bid or proposal or associated small business subcontracting plan, to furnish certain *supplies* or perform a portion of the contract; or

(ii) The *offeror* used the small business *concern's pricing* or cost information or technical expertise in preparing the bid or proposal, where there is written evidence of an intent or understanding that the small business *concern* will be awarded a *subcontract* for the related work if the *offeror* is awarded the contract;

(13) Assurances that the contractor will provide the *contracting officer* with a written explanation if the contractor fails to acquire articles, equipment, *supplies*, services or materials or obtain the performance of *construction* work as described in (a)(12) of this section. This written explanation will be submitted to the *contracting officer* within 30 days of contract completion;

(14) Assurances that the contractor will not prohibit a subcontractor from discussing with the *contracting officer* any material matter pertaining to payment to or utilization of a subcontractor; and

(15) Assurances that the *offeror* will pay its *small business subcontractors* on time and in accordance with the terms and conditions of the *subcontract*, and notify the *contracting officer* if the *offeror* pays a reduced or an *untimely payment* to a *small business subcontractor* (see [52.242-5](#)).

(b) Contractors *may* establish, on a plant or division-wide basis, a master plan (see [19.701](#)) that contains all the elements required by the clause at [52.219-9](#), Small Business Subcontracting Plan, except goals. Master plans *shall* be effective for a 3-year period after approval by the *contracting officer*; however, it is incumbent upon contractors to maintain and update master plans. Changes required to update master plans are not effective until approved by the *contracting officer*. A master plan, when incorporated in an individual plan, *shall* apply to that contract throughout the life of the contract.

(c) For multiyear contracts or contracts containing *options*, the cumulative value of the basic contract and all *options* is considered in determining whether a subcontracting plan is necessary. If a subcontracting plan is necessary and the *offeror* is submitting an *individual subcontracting plan*, the *individual subcontracting plan shall* contain all the elements required by paragraph (a) of this section and *shall* contain separate statements and goals based on total *subcontract* dollars for the basic contract and for each *option*.

(d) A commercial plan (as defined in [19.701](#)) is the preferred type of subcontracting plan for contractors furnishing *commercial products* and *commercial services*. The subcontracting goals established for a commercial plan *shall* include all *indirect costs* with the exception of those such as the following: Employee salaries and benefits; payments for petty cash; *depreciation*; interest; income taxes; property taxes; lease payments; bank fees; fines, *claims*, and dues; original equipment manufacturer relationships during *warranty* periods (negotiated up front with the product); utilities and other services purchased from a municipality or an entity solely authorized by the municipality to provide those services in a particular geographical region; and philanthropic contributions. Once a contractor's commercial plan has been approved, the Government *shall* not require another subcontracting plan from the same contractor while the plan remains in effect, as long as the product or service being provided by the contractor continues to meet the definition of a *commercial product* or *commercial service*. The contractor *shall*—

(1) Submit the commercial plan to either the first *contracting officer* awarding a contract subject to the plan during the contractor's fiscal year, or, if the contractor has ongoing contracts with commercial plans, to the *contracting officer* responsible for the contract with the latest completion date. The *contracting officer shall* negotiate the commercial plan for the Government. The approved commercial plan *shall* remain in effect during the contractor's fiscal year for all Government contracts in effect during that period;

(2) Submit a new commercial plan, 30 working days before the end of the Contractor's fiscal year, to the *contracting officer* responsible for the uncompleted Government contract with the latest completion date. The contractor *must* provide to each *contracting officer* responsible for an ongoing contract subject to the plan, the identity of the *contracting officer* that will be negotiating the new plan;

(3) When the new commercial plan is approved, provide a copy of the approved plan to each *contracting officer* responsible for an ongoing contract that is subject to the plan; and

(4) Comply with the reporting requirements stated in paragraph (a)(10) of this section by submitting one SSR that includes all *indirect costs*, except as described in paragraph (d) of this section, in eSRS, for all contracts covered by its commercial plan. This report will be acknowledged or rejected in eSRS by the *contracting officer* who approved the plan. The report *shall* be submitted within 30 days after the end of the Government's fiscal year.

## **19.705 Responsibilities of the contracting officer under the subcontracting assistance program.**

### **19.705-1 General.**

(a) The *contracting officer* may encourage the development of increased subcontracting opportunities in negotiated *acquisition* by providing monetary incentives such as payments based on actual subcontracting achievement or award-fee *contracting* (see the clause at 52.219-10, Incentive Subcontracting Program, and 19.708(c)). When using any contractual incentive provision based upon rewarding the contractor monetarily for exceeding goals in the subcontracting plan, the *contracting officer* *must* ensure that (a) the goals are realistic and (b) any rewards for exceeding the goals are commensurate with the efforts the contractor would not have otherwise expended. Incentive provisions *should* normally be negotiated after reaching final agreement with the contractor on the subcontracting plan.

(b)

(1) Except where a contractor has a commercial plan, the *contracting officer* *shall* require a subcontracting plan for each indefinite-delivery, indefinite-quantity contract (including task or *delivery order* contracts, FSS, GWACs, and MACs), when the estimated value of the contract meets the subcontracting plan thresholds at 19.702(a) and small business subcontracting opportunities exist.

(2) *Contracting officers* placing orders may establish small business subcontracting goals for each order. Establishing goals *shall* not be in the form of a new subcontracting plan as a contract may not have more than one plan (19.705-2(e)).

### **19.705-2 Determining the need for a subcontracting plan.**

The *contracting officer* *shall* take the following actions to determine whether a proposed contractual action requires a subcontracting plan:

- (a)
- (1) Determine whether the proposed *total contract dollars* will exceed the subcontracting plan threshold in 19.702(a).
  - (2) Determine whether a proposed modification will cause the *total contract dollars* to exceed the subcontracting plan threshold (see 19.702(a)).
- (b) Determine whether subcontracting possibilities exist by considering relevant factors such as-
- (1) Whether firms engaged in the business of furnishing the types of items to be acquired customarily contract for performance of part of the work or maintain sufficient in-house capability to perform the work; and
  - (2) Whether there are likely to be product prequalification requirements.
  - (3) Whether the firm can acquire any portion of the work with minimal or no disruption to performance (with consideration given to the time remaining until contract completion), and at fair market value, when a determination is made in accordance with paragraph (a)(2).
- (c) If it is determined that there are no subcontracting possibilities, the determination *shall* include a detailed rationale, be approved at a level above the *contracting officer*, and placed in the contract file.
- (d) In *solicitations* for negotiated *acquisitions*, the *contracting officer* may require the submission of subcontracting plans with initial *offers*, or at any other time prior to award. In determining when subcontracting plans *should* be required, as well as when and with whom plans *should* be negotiated, the *contracting officer* must consider the integrity of the competitive process, the goal of affording maximum practicable opportunity for small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and *women-owned small business concerns* to participate, and the burden placed on *offerors*.
- (e) A contract *may* not have more than one subcontracting plan. However, a *contracting officer* may establish separate subcontracting goals for each order under an indefinite-delivery, indefinite-quantity contract (19.705-1(b)(2)). When a *contract modification* exceeds the subcontracting plan threshold (see 19.702(a)) or an *option* is exercised, the goals of an existing subcontracting plan *shall* be amended to reflect any new subcontracting opportunities not envisioned at the time of contract award. These goal changes do not apply retroactively.
- (f) If a subcontracting plan has been added to the contract due to a modification (see 19.702(a)(1)(iii)) or a size re-representation (see 19.301-2(e)), the subcontracting goals apply from the date of incorporation of the subcontracting plan into the contract and the contractor's achievements *must* be reported on the ISR (or the SF-294, if applicable) on a cumulative basis from the date of incorporation of the subcontracting plan into the contract.

### **19.705-3 Preparing the solicitation.**

The *contracting officer* shall provide the Small Business Administration's (SBA's) *procurement* center representative (or, if a *procurement* center representative is not assigned, see 19.402(a)) a reasonable period of time to review any *solicitation* requiring submission of a subcontracting plan

and to submit advisory findings before the *solicitation* is issued.

#### **19.705-4 Reviewing the subcontracting plan.**

The *contracting officer shall* review the subcontracting plan for adequacy, ensuring that the required information, goals, and assurances are included (see [19.704](#)).

(a) No detailed standards apply to every subcontracting plan. Instead, the *contracting officer shall* consider each plan in terms of the circumstances of the particular *acquisition*, including-

(1) Previous involvement of small business *concerns* as prime contractors or subcontractors in similar *acquisitions*;

(2) Proven methods of involving small business *concerns* as subcontractors in similar *acquisitions*; and

(3) The relative success of methods the contractor intends to use to meet the goals and requirements of the plan, as evidenced by records maintained by contractors.

(b) If, under a sealed bid *solicitation*, a bidder submits a plan that does not cover each of the 15 required elements (see [19.704](#)), the *contracting officer shall* advise the bidder of the deficiency and request submission of a revised plan by a specific date. If the bidder does not submit a plan that incorporates the required elements within the time allotted, the bidder *shall be ineligible* for award. If the plan, although responsive, evidences the bidder's intention not to comply with its obligations under the clause at [52.219-8](#), Utilization of Small Business *Concerns*, the *contracting officer may* find the bidder nonresponsible.

(c) In negotiated *acquisitions*, the *contracting officer shall* determine whether the plan is acceptable based on the negotiation of each of the 15 elements of the plan (see [19.704](#)). Subcontracting goals *should* be set at a level that the parties reasonably expect can result from the *offeror* expending good faith efforts to use small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and women-owned *small business subcontractors* to the maximum practicable extent. The *contracting officer shall* take particular care to ensure that the *offeror* has not submitted unreasonably low goals to minimize exposure to liquidated damages and to avoid the administrative burden of substantiating good faith efforts. Additionally, particular attention *should* be paid to the identification of steps that, if taken, would be considered a good faith effort (see [19.705-7](#)). No goal *should* be negotiated upward if it is apparent that a higher goal will significantly increase the Government's cost or seriously impede the attainment of *acquisition* objectives. An incentive subcontracting clause (see [52.219-10](#), Incentive Subcontracting Program), *may* be used when additional and unique contract effort, such as providing technical assistance, could significantly increase *subcontract* awards to small business, small disadvantaged business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, or *women-owned small business concerns*.

(d) In determining the acceptability of a proposed subcontracting plan, the *contracting officer should* take the following actions:

(1) Obtain information available from the cognizant *contract administration office*, as provided for in [19.706\(a\)](#), and evaluate the *offeror's past performance* in awarding *subcontracts* for the same or similar *products* or services to small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and *women-*



*owned small business concerns*. If information is not available on a specific type of product or service, evaluate the *offeror's* overall *past performance* and consider the performance of other contractors on similar efforts.

(2) In accordance with 15 U.S.C. 637(d)(4)(F)(iii), ensure that the goals offered are attainable in relation to-

(i) The subcontracting opportunities available to the contractor, commensurate with the efficient and economical performance of the contract;

(ii) The pool of eligible subcontractors available to fulfill the subcontracting opportunities; and

(iii) The actual performance of such contractor in fulfilling the subcontracting goals specified in prior plans.

(3) Ensure that the subcontracting goals are consistent with the *offeror's certified cost or pricing data* or *data other than certified cost or pricing data*.

(4) Evaluate the *offeror's* make-or-buy policy or program to ensure that it does not conflict with the *offeror's* proposed subcontracting plan and is in the Government's interest. If the contract involves *products* or services that are particularly specialized or not generally available in the commercial market, consider the *offeror's* current capacity to perform the work and the possibility of reduced subcontracting opportunities.

(5) Evaluate subcontracting potential, considering the *offeror's* make-or-buy policies or programs, the nature of the *supplies* or services to be subcontracted, the known availability of small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and *women-owned small business concerns* in the geographical area where the work will be performed, and the potential contractor's long-standing contractual relationship with its suppliers.

(6) Advise the *offeror* of available sources of information on potential small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and *women-owned small business subcontractors*, as well as any specific *concerns* known to be potential subcontractors. If the *offeror's* proposed goals are questionable, the *contracting officer must* emphasize that the information *should* be used to develop realistic and acceptable goals.

(7) Obtain advice and recommendations from the SBA *procurement* center representative (or, if a *procurement* center representative is not assigned, see 19.402(a)) and the agency small business specialist.

#### **19.705-5 Awards involving subcontracting plans.**

(a) In making an award that requires a subcontracting plan, the *contracting officer shall* be responsible for the following:

(1) Consider the contractor's compliance with the subcontracting plans submitted on previous contracts as a factor in determining contractor responsibility.

(2) Assure that a subcontracting plan was submitted when required.

(3) Notify the SBA *procurement* center representative (or, if a *procurement* center representative is not assigned, see 19.402(a)) of the opportunity to review the proposed contract (including the plan and supporting documentation). The notice *shall* be issued in sufficient time to provide the representative a reasonable time to review the material and submit advisory recommendations to the *contracting officer*. Failure of the representative to respond in a reasonable period of time *shall* not delay contract award.

(4) Determine any fee that *may* be payable if an incentive is used in conjunction with the subcontracting plan.

(5) Ensure that an acceptable plan is incorporated into and made a material part of the contract.

(b) Letter contracts and similar undefinitized instruments, which would otherwise meet the requirements of 19.702(a)(1)(i) and (ii), *shall* contain at least a preliminary basic plan addressing the requirements of 19.704 and in such cases require the negotiation of the final plan within 90 days after award or before definitization, whichever occurs first.

### **19.705-6 Postaward responsibilities of the contracting officer.**

After a contract or *contract modification* containing a subcontracting plan is awarded or an existing subcontracting plan is amended, the *contracting officer shall* do the following:

(a) Notify the SBA of the award by sending a copy of the award document to the Area Director, Office of Government *Contracting*, in the SBA area office where the contract will be performed.

(b) Forward a copy of each commercial plan and any associated approvals to the Area Director, Office of Government *Contracting*, in the SBA area office where the contractor's headquarters is located.

(c) Give to the SBA *procurement* center representative (or, if a *procurement* center representative is not assigned, see 19.402(a)) a copy of-

(1) Any subcontracting plan submitted in response to a sealed bid *solicitation*; and

(2) The final negotiated subcontracting plan that was incorporated into a negotiated contract or *contract modification*.

(d) Notify the SBA *procurement* center representative (or, if a *procurement* center representative is not assigned, see 19.402(a)) of the opportunity to review subcontracting plans in connection with *contract modifications*.

(e) Forward a copy of each plan, or a determination that there is no requirement for a subcontracting plan, to the cognizant *contract administration office*.

(f) Monitor the prime contractor's compliance with its subcontracting plan, to include the following:

(1) Ensure that subcontracting reports are submitted into the eSRS within 30 days after the report ending date (*e.g.*, by October 30 th for the fiscal year ended September 30 th).

(2) Review ISRs, and where applicable, SSRs, in eSRS within 60 days of the report ending date (*e.g.*, by November 30 th for a report submitted for the fiscal year ended September 30 th).

(3) Either acknowledge receipt of or reject the reports in accordance with [subpart 19.7, 52.219-9](#), Small Business Subcontracting Plan, and the eSRS instructions ([www.esrs.gov](http://www.esrs.gov)).

(i) The authority to acknowledge or reject SSRs for commercial plans resides with the *contracting officer* who approved the commercial plan.

(ii) If a report is rejected, the *contracting officer must* provide an explanation for the rejection to allow the prime contractor the opportunity to respond specifically to identified deficiencies.

(g) Evaluate the prime contractor's compliance with its subcontracting plan, to include the following:

(1) Assess whether the prime contractor made a good faith effort to comply with its small business subcontracting plan. See [19.705-7\(b\)](#) for more information on the determination of good faith effort.

(2) Assess the prime contractor's written explanation concerning the prime contractor's failure to use a small business *concern* in the performance of the contract in the same scope, amount, and quality used in preparing and submitting the bid or proposal, if applicable.

(h) Initiate action to assess liquidated damages in accordance with [19.705-7](#) upon a recommendation by the administrative *contracting officer*, if one is assigned, or receipt of other reliable evidence to indicate that assessing liquidated damages is warranted.

(i) Take action to enforce the terms of the contract upon receipt of a notice from the *contract administration office* under [19.706\(f\)](#).

(j) Acknowledge receipt of or reject the ISR and the SSR in the eSRS. Acknowledging receipt does not mean acceptance or approval of the report. The report *shall* be rejected if it is not adequately completed, for instance, if there are errors, omissions, or incomplete data. Failure to meet the goals of the subcontracting plan is not a valid reason for rejecting the report.

### **19.705-7 Compliance with the subcontracting plan.**

(a) *General*. Maximum practicable utilization of small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and *women-owned small business concerns* as subcontractors in Government contracts is a matter of national interest with both social and economic benefits. When a contractor fails to make a good faith effort to comply with a subcontracting plan, these objectives are not achieved, and [15 U.S.C. 637\(d\)\(4\)\(F\)](#) directs that liquidated damages *shall* be paid by the contractor.

(b) *Determination of good faith effort*.

(1) In determining whether a contractor failed to make a good faith effort to comply with its subcontracting plan, a *contracting officer must* look to the totality of the contractor's actions, consistent with the information and assurances provided in its plan. The fact that the contractor failed to meet its subcontracting goals does not, in and of itself, constitute a failure to make a good faith effort (see [19.701](#)). For example, notwithstanding a contractor's diligent effort to identify and solicit *offers* from any of the small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and *women-owned small business concerns*, factors such as unavailability of anticipated sources or unreasonable prices *may* frustrate achievement of the contractor's subcontracting goals. The *contracting officer may*

consider any of the following, though not all inclusive, to be indicators of a good faith effort:

(i) Breaking out work to be subcontracted into economically feasible units, as appropriate, to facilitate small business participation.

(ii) Conducting *market research* to identify potential *small business subcontractors* through all reasonable means, such as searching SAM, posting notices or *solicitations* on SBA's SUBNet, participating in business matchmaking events, and attending preproposal conferences.

(iii) Soliciting small business *concerns* as early in the *acquisition* process as practicable to allow them sufficient time to submit a timely *offer* for the *subcontract*.

(iv) Providing interested small businesses with adequate and timely information about plans, specifications, and requirements for performance of the prime contract to assist them in submitting a timely *offer* for the *subcontract*.

(v) Negotiating in good faith with interested small businesses.

(vi) Directing small businesses that need additional assistance to SBA.

(vii) Assisting interested small businesses in obtaining bonding, lines of credit, required *insurance*, necessary equipment, *supplies*, materials, or services.

(viii) Utilizing the available services of small business associations; local, state, and Federal small business assistance offices; and other organizations.

(ix) Participating in a formal mentor-protégé program with one or more small business protégés that results in developmental assistance to the protégés.

(x) Although failing to meet the subcontracting goal in one socioeconomic category, exceeding the goal by an equal or greater amount in one or more of the other categories.

(xi) Fulfilling all of the requirements of the subcontracting plan.

(2) When considered in the context of the contractor's total effort in accordance with its plan, the *contracting officer* may consider any of the following, though not all inclusive, to be indicators of a failure to make a good faith effort:

(i) Failure to attempt through *market research* to identify, contact, solicit, or consider for contract award small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, or *women-owned small business concerns*, through all reasonable means including outreach, *industry days*, or the use of Federal systems such as SBA's Dynamic Small Business Search or SUBNet systems.

(ii) Failure to designate and maintain a company official to administer the subcontracting program and monitor and enforce compliance with the plan.

(iii) Failure to submit an acceptable ISR, or the SSR, using the eSRS, or as provided in agency regulations, by the report due dates specified in [52.219-9](#), Small Business Subcontracting Plan.

(iv) Failure to maintain records or otherwise demonstrate procedures adopted to comply with the plan including subcontracting flowdown requirements.

(v) Adoption of company policies or documented procedures that have as their objectives the

frustration of the objectives of the plan.

(vi) Failure to pay *small business subcontractors* in accordance with the terms of the contract with the prime contractor.

(vii) Failure to correct substantiated findings from Federal subcontracting compliance reviews or participate in subcontracting plan management training offered by the Government.

(viii) Failure to provide the *contracting officer* with a written explanation if the contractor fails to acquire articles, equipment, *supplies*, services, or materials or obtain the performance of *construction* work as described in 19.704(a)(12).

(ix) Falsifying records of *subcontract* awards to small business *concerns*.

(c) *Documentation of good faith effort*. If, at completion of the basic contract or any *option*, or in the case of a commercial plan, at the close of the fiscal year for which the plan is applicable, a contractor has failed to comply with the requirements of its subcontracting plan, which includes meeting its subcontracting goals, the *contracting officer shall* review all available information for an indication that the contractor has not made a good faith effort to comply with the plan. If no such indication is found, the *contracting officer shall* document the file accordingly.

(d) *Notice of failure to make a good faith effort*. If the *contracting officer* decides in accordance with paragraph (b) of this section that the contractor failed to make a good faith effort to comply with its subcontracting plan, the *contracting officer shall* give the contractor written notice in accordance with 52.219-16, Liquidated Damages—Subcontracting Plan, specifying the material breach, which *may* be included in the contractor's *past performance* information, advising the contractor of the possibility that the contractor *may* have to pay to the Government liquidated damages, and providing a period of 15 working days (or longer period as necessary) within which to respond. The notice *shall* give the contractor an opportunity to demonstrate what good faith efforts have been made before the *contracting officer* issues the final decision and *shall* further state that failure of the contractor to respond *may* be taken as an admission that no valid explanation exists.

(e) *Payment of liquidated damages*.

(1) If, after consideration of all the pertinent data, the *contracting officer* finds that the contractor failed to make a good faith effort to comply with its subcontracting plan, the *contracting officer shall* issue a final decision to the contractor to that effect and require the payment of liquidated damages in an amount stated. The *contracting officer's* final decision *shall* state that the contractor has the right to appeal under the clause in the contract entitled Disputes. Calculations and procedures *shall* be in accordance with 52.219-16, Liquidated Damages—Subcontracting Plan.

(2) The amount of damages attributable to the contractor's failure to comply *shall* be an amount equal to the actual dollar amount by which the contractor failed to achieve each subcontracting goal. For calculations for commercial plans see paragraph (f) of this section.

(3) Liquidated damages *shall* be in addition to any other remedies that the Government *may* have.

(f) *Commercial plans*. With respect to commercial plans approved under the clause at 52.219-9, Small Business Subcontracting Plan, the *contracting officer* that approved the plan *shall*-

(1) Perform the functions of the *contracting officer* under this subsection on behalf of all agencies with contracts covered by the commercial plan;

(2) Determine whether or not the goals in the commercial plan were achieved and, if they were not achieved, review all available information for an indication that the contractor has not made a good faith effort to comply with the plan, and document the results of the review;

(3) If a determination is made to assess liquidated damages, in order to calculate and assess the amount of damages, the *contracting officer shall* ask the contractor to provide-

(i) Contract numbers for the Government contracts subject to the plan;

(ii) The total Government sales during the contractor's fiscal year; and

(iii) The amount of payments made under the Government contracts subject to that plan that contributed to the contractor's total sales during the contractor's fiscal year; and

(4) When appropriate, assess liquidated damages on the Government's behalf, based on the pro rata share of subcontracting attributable to the Government contracts. For example: The contractor's total actual sales were \$50 million and its actual subcontracting was \$20 million. The Government's total payments under contracts subject to the plan contributing to the contractor's total sales were \$5 million, which accounted for 10 percent of the contractor's total sales. Therefore, the pro rata share of subcontracting attributable to the Government contracts would be 10 percent of \$20 million, or \$2 million. To continue the example, if the contractor failed to achieve its small business goal by 1 percent, the liquidated damages would be calculated as 1 percent of \$2 million, or \$20,000. The *contracting officer shall* make similar calculations for each category of small business where the contractor failed to achieve its goal and the sum of the dollars for all of the categories equals the amount of the liquidated damages to be assessed. A copy of the *contracting officer's* final decision assessing liquidated damages *shall* be provided to other *contracting officers* with contracts subject to the commercial plan.

(5) Every *contracting officer* with a contract that is subject to a commercial plan *shall* include in the contract file a copy of the approved plan and a copy of the final decision assessing liquidating damages, if applicable.

### **19.706 Responsibilities of the cognizant administrative contracting officer.**

The administrative *contracting officer* is responsible for assisting in evaluating subcontracting plans, and for monitoring, evaluating, and documenting contractor performance under the clause prescribed in 19.708(b) and any subcontracting plan included in the contract. The *contract administration office shall* provide the necessary information and advice to support the *contracting officer*, as appropriate, by furnishing-

(a) Documentation on the contractor's performance and compliance with subcontracting plans under previous contracts;

(b) Information on the extent to which the contractor is meeting the plan's goals for subcontracting with eligible small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and *women-owned small business concerns*;

(c) Information on whether the contractor's efforts to ensure the participation of small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and *women-owned small business concerns* are in

accordance with its subcontracting plan;

(d) Information on whether the contractor is requiring its subcontractors to adopt similar subcontracting plans;

(e) Immediate notice if, during performance, the contractor is failing to meet its commitments under the clause prescribed in 19.708(b) or the subcontracting plan;

(f) Immediate notice and rationale if, during performance, the contractor is failing to comply in good faith with the subcontracting plan (see 19.705-7(b) for more information on the determination of good faith effort); and

(g) Immediate notice that performance under a contract is complete, that the goals were or were not met, and, if not met, whether there is any indication of a lack of a good faith effort to comply with the subcontracting plan.

### **19.707 The Small Business Administration's role in carrying out the program.**

(a) Under the program, the SBA *may*-

(1) Assist both Government agencies and contractors in carrying out their responsibilities with regard to subcontracting plans;

(2) Review (within 5 working days) any *solicitation* that meets the dollar threshold in 19.702(a)(1)(i) or (ii) before the *solicitation* is issued;

(3) Review (within 5 working days) before execution any negotiated contractual document requiring a subcontracting plan, including the plan itself, and submit recommendations to the *contracting officer*, which *shall* be advisory in nature; and

(4) Evaluate compliance with subcontracting plans, either on a contract-by-contract basis, or, in the case of contractors having multiple contracts, on an aggregate basis.

(b) The SBA is not authorized to-

(1) Prescribe the extent to which any contractor or subcontractor *shall subcontract*,

(2) Specify *concerns* to which *subcontracts* will be awarded, or

(3) Exercise any authority regarding the administration of individual prime contracts or *subcontracts*.

### **19.708 Contract clauses.**

(a) Insert the clause at 52.219-8, *Utilization of Small Business Concerns*, in *solicitations* and contracts when the contract amount is expected to exceed the *simplified acquisition threshold* unless-

(1) A *personal services contract* is contemplated (see 37.104); or

(2) The contract, together with all of its *subcontracts*, will be performed entirely outside of the *United States* and its *outlying areas*.

(b)

(1) Insert the clause at 52.219-9, Small Business Subcontracting Plan, in *solicitations* and contracts that *offer* subcontracting possibilities, are expected to exceed \$750,000 (\$1.5 million for *construction* of any public facility), and are required to include the clause at 52.219-8, Utilization of Small Business *Concerns*, unless the *acquisition* is set aside or is to be accomplished under the 8(a) program. When-

(i) *Contracting* by sealed bidding rather than by negotiation, the *contracting officer* shall use the clause with its *Alternate I*;

(ii) *Contracting* by negotiation, and subcontracting plans are required with initial proposals as provided for in 19.705-2(d), the *contracting officer* shall use the clause with its *Alternate II*;

(iii) The contract action will not be reported in the Federal *Procurement* Data System pursuant to 4.606(c)(5), or (c)(6), the *contracting officer* shall use the clause with its *Alternate III*; or

(iv) Incorporating a subcontracting plan due to a modification as provided for in 19.702(a)(1)(iii), the *contracting officer* shall use the clause with its *Alternate IV*.

(2) Insert the clause at 52.219-16, Liquidated Damages-Subcontracting Plan, in all *solicitations* and contracts containing the clause at 52.219-9, Small Business Subcontracting Plan, or the clause with its *Alternate I, II, III, or IV*.

(c)

(1) The *contracting officer* may, when *contracting* by negotiation, insert in *solicitations* and contracts a clause substantially the same as the clause at 52.219-10, Incentive Subcontracting Program, when a subcontracting plan is required (see 19.702), and inclusion of a monetary incentive is, in the judgment of the *contracting officer*, necessary to increase subcontracting opportunities for small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and *women-owned small business concerns*, and is commensurate with the efficient and economical performance of the contract; unless the conditions in paragraph (c)(3) of this section are applicable. The *contracting officer* may vary the terms of the clause as specified in paragraph (c)(2) of this section.

(2) Various approaches may be used in the development of small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and *women-owned small business concerns'* subcontracting incentives. They can take many forms, from a fully quantified schedule of payments based on actual *subcontract* achievement to an award-fee approach employing subjective evaluation criteria (see paragraph (c)(3) of this section). The incentive *should* not reward the contractor for results other than those that are attributable to the contractor's efforts under the incentive subcontracting program.

(3) As specified in paragraph (c)(2) of this section, the *contracting officer* may include small business, veteran-owned small business, service-disabled veteran-owned small business, *HUBZone* small business, small disadvantaged business, and *women-owned small business* subcontracting as one of the factors to be considered in determining the award fee in a cost-plus-award-fee contract; in



such cases, however, the *contracting officer shall* not use the clause at 52.219-10, Incentive Subcontracting Program.

## **Subpart 19.8 - Contracting with the Small Business Administration (The 8(a) Program)**

### **19.800 General.**

(a) Section 8(a) of the Small Business Act (15 U.S.C. 637(a)) established a program that authorizes the Small Business Administration (SBA) to enter into all types of contracts with other agencies and award subcontracts for performing those contracts to firms eligible for program participation. This program is the "8(a) Business Development Program," commonly referred to as the "8(a) program." A small business that is accepted into the 8(a) program is known as a "participant." SBA's subcontractors are referred to as "8(a) contractors." As used in this subpart, an 8(a) contractor is an 8(a) participant that is currently performing on a Federal contract or order that was set aside for 8(a) participants.

(b) Contracts *may* be awarded to the SBA for performance by eligible 8(a) participants on either a sole source or competitive basis.

(c) Acting under the authority of the program, the SBA certifies to an agency that SBA is competent and responsible to perform a specific contract. The *contracting officer* has the discretion to award the contract to the SBA based upon mutually agreeable terms and conditions.

(d) The *contracting officer shall* comply with 19.203 before deciding to *offer* an *acquisition* to a small business *concern* under the 8(a) program. For *acquisitions* above the *simplified acquisition threshold*, the *contracting officer shall* consider 8(a) set-asides or sole source awards before considering small business set-asides.

(e) When SBA has delegated its 8(a) program contract execution authority to an agency, the *contracting officer must* refer to its agency supplement or other policy directives for appropriate guidance.

### **19.801 [Reserved]**

### **19.802 Determining eligibility for the 8(a) program.**

Determining the eligibility of a small business to be a participant in the 8(a) program is the responsibility of the SBA. SBA's regulations on eligibility requirements for participation in the 8(a) program are found at 13 CFR 124.101 through 124.112. SBA designates the *concern* as an 8(a) participant in the Dynamic Small Business Search (DSBS) at [https://web.sba.gov/pro-net/search/dsp\\_dsbs.cfm](https://web.sba.gov/pro-net/search/dsp_dsbs.cfm) . SBA's designation also appears in the *System for Award Management (SAM)*.

### **19.803 Selecting acquisitions for the 8(a) Program.**

Through their cooperative efforts, the SBA and an agency match the agency's requirements with the capabilities of 8(a) participants to establish a basis for the agency to contract with the SBA under the program. Selection is initiated in one of three ways:

(a) The SBA advises the *contracting activity* of an 8(a) participant's capabilities through a search letter and requests the *contracting activity* to identify *acquisitions* to support the participant's business plans. In these instances, the SBA will provide at a minimum the following information in order to enable the *contracting activity* to match an *acquisition* to the participant's capabilities:

- (1) Identification of the participant and its owners.
- (2) Background information on the participant, including any and all information pertaining to the participant's technical ability and capacity to perform.
- (3) The participant's present production capacity and related facilities.
- (4) The extent to which *contracting* assistance is needed in the present and the future, described in terms that will enable the agency to relate the participant's plans to present and future agency requirements.

(5) If *construction* is involved, the request *shall* also include the following:

(i) A participant's capabilities in and qualifications for accomplishing various categories of *construction* work typically found in North American Industrial Category System subsector 236 (*construction* of buildings), subsector 237 (heavy and civil engineering *construction*), or subsector 238 (specialty trade contractors).

(ii) The participant's capacity in each *construction* category in terms of estimated dollar value (*e.g.*, electrical, up to \$100,000).

(b) The SBA identifies a specific requirement for one or more 8(a) participant(s) and sends a requirements letter to the agency's *Office of Small and Disadvantaged Business Utilization*, or for the Department of Defense, Office of Small Business Programs, requesting the *contracting office* offer the *acquisition* to the 8(a) program. In these instances, in addition to the information in paragraph (a) of this section, the SBA will provide-

(1) A clear identification of the *acquisition* sought; *e.g.*, project name or number;

(2) A statement as to how the required equipment and real property will be provided in order to ensure that the participant will be fully capable of satisfying the agency's requirements;

(3) If *construction*, information as to the bonding capability of the participant(s); and

(4) Either-

(i) If a sole source request-

(A) The reasons why the participant is considered suitable for this particular *acquisition*; *e.g.*, previous contracts for the same or similar supply or service; and

(B) A statement that the participant is eligible in terms of its small business size status relative to the assigned NAICS code, business support levels, and business activity targets; or

(ii) If competitive, a statement that at least two 8(a) participants are considered capable of satisfying

the agency's requirements and a statement that the participants are also eligible in terms of their small business size status relative to the assigned NAICS code, business support levels, and business activity targets. If requested by the *contracting office*, SBA will identify at least two such participants and provide information concerning the participants' capabilities.

(c) Agencies *may* also review other proposed *acquisitions* for the purpose of identifying requirements which *may* be offered to the SBA. Where agencies independently, or through the self marketing efforts of an 8(a) participant, identify a requirement for the 8(a) program, they *may offer* on behalf of a specific 8(a) participant, for the 8(a) program in general, or for 8(a) competition.

## **19.804 Evaluation, offering, and acceptance.**

### **19.804-1 Agency evaluation.**

In determining the extent to which a requirement *should* be offered in support of the 8(a) program, the agency *should* evaluate-

(a) Current and future plans to acquire the specific items or work that 8(a) participants are seeking to provide, identified in terms of-

(1) Estimated quantities of the *supplies* or services required or the estimated number of *construction* projects planned;

(2) Length of contract, including *option* periods (see [19.812\(d\)](#)); and

(3) Performance or delivery requirements, including-

(i) Required monthly production rates, when applicable; and

(ii) For *construction*, the geographical location where work is to be performed;

(b) The impact of any delay in delivery;

(c) Whether the items or work have previously been acquired using small business set-asides, and the date the items or work were acquired;

(d) Problems encountered in previous *acquisitions* of the items or work from the 8(a) participants or other contractors; and

(e) Any other pertinent information about known 8(a) participants, the items, or the work. This includes any information concerning the participants' *products* or capabilities. When necessary, the *contracting* agency *shall* make an independent review of the factors in [19.803\(a\)](#) and other aspects of the participants' capabilities which would ensure the satisfactory performance of the requirement being considered for commitment to the 8(a) program.

### **19.804-2 Agency offering.**

(a) After completing its evaluation, the *contracting office shall* notify the SBA of the extent of its plans to place 8(a) contracts with the SBA for specific quantities of items or work, including 8(a)

contracts that are reserved in accordance with 19.503. The notification, referred to as an offering letter, *shall* identify the time frames within which resulting 8(a) awards *must* be completed in order for the agency to meet its responsibilities. The offering letter *shall* also contain the following information applicable to each prospective contract:

- (1) A description of the work to be performed or items to be delivered, and a copy of the statement of work, if available.
- (2) The estimated period of performance.
- (3) The NAICS code that applies to the principal nature of the *acquisition*.
- (4) The anticipated dollar value of the requirement, including *options*, if any.
- (5) Any special restrictions or geographical limitations on the requirement (for *construction*, include the location of the work to be performed).
- (6) Any special capabilities or disciplines needed for contract performance.
- (7) The type of contract anticipated.
- (8) The *acquisition* history, if any, of the requirement, including the names and addresses of any small business contractors that have performed this requirement during the previous 24 months.
- (9) A statement that prior to the offering no *solicitation* for the specific *acquisition* has been issued as a small business, *HUBZone*, service-disabled veteran-owned small business set-aside, or a set-aside under the Women-Owned Small Business (WOSB) Program, and that no other public communication (such as a notice through the *Governmentwide point of entry (GPE)*) has been made showing the *contracting* agency's clear intention to set-aside the *acquisition* for small business, *HUBZone* small business, service-disabled veteran-owned small business *concerns*, or a set-aside under the WOSB Program.
- (10) Identification of any particular 8(a) participant designated for consideration, including a brief justification, such as-
  - (i) The 8(a) participant, through its own efforts, marketed the requirement and caused it to be reserved for the 8(a) program; or
  - (ii) The *acquisition* is a follow-on or renewal contract and the nominated 8(a) participant is the incumbent.
- (11) Bonding requirements, if applicable.
- (12) Identification of all 8(a) participants which have expressed an interest in being considered for the *acquisition*.
- (13) Identification of all SBA field offices that have asked for the *acquisition* for the 8(a) program.
- (14) A request, if appropriate, that a requirement with an estimated contract value under the applicable competitive threshold be awarded as an 8(a) competitive contract (see [19.805-1\(d\)](#)).
- (15) A request, if appropriate, that a requirement with a contract value over the applicable competitive threshold be awarded as a sole source contract (see [19.805-1\(b\)](#)).

(16) Any other pertinent and reasonably available data.

(b)

(1) An agency offering a *construction* requirement for which no specific *offeror* is nominated *should* submit it to the SBA District Office for the geographical area where the work is to be performed.

(2) An agency offering a *construction* requirement on behalf of a specific *offeror should* submit it to the SBA District Office servicing that *concern*.

(3) Sole source requirements, other than *construction*, *should* be forwarded directly to the district office that services the nominated 8(a) participant. If the *contracting officer* is not nominating a specific 8(a) participant, the offering letter *should* be forwarded to the district office servicing the geographical area in which the *contracting office* is located.

(c) All requirements for 8(a) competition, other than *construction*, *should* be forwarded to the district office servicing the geographical area in which the *contracting office* is located. All requirements for 8(a) *construction* competition *should* be forwarded to the district office servicing the geographical area in which all or the major portion of the *construction* is to be performed. All requirements, including *construction*, *must* be synopsisized through the GPE. For *construction*, the synopsis *must* include the geographical area of the competition set forth in the SBA's acceptance letter.

### **19.804-3 SBA acceptance.**

(a) Upon receipt of the *contracting office's* offering letter, SBA will determine whether to accept the requirement for the 8(a) program. SBA's decision whether to accept the requirement will be transmitted to the *contracting office in writing* within 10 working days of receipt of the *offer* if the contract is likely to exceed the *simplified acquisition threshold* and within two working days of receipt if the contract is at or below the *simplified acquisition threshold*. The *contracting office may* grant an extension of these time periods, if requested by SBA.

(1) For *acquisitions* exceeding the *simplified acquisition threshold*, if SBA does not respond to an offering letter within ten working days, the *contracting office may* seek SBA's acceptance through the Associate Administrator for Business Development. The *contracting office may* assume that SBA has accepted the requirement into the 8(a) program if it does not receive a reply from the Associate Administrator for Business Development within five calendar days of receipt of the *contracting office's* request.

(2) For *acquisitions* not exceeding the *simplified acquisition threshold*, when the *contracting office* makes an *offer* to the 8(a) program on behalf of a specific 8(a) participant and does not receive a reply to its offering letter within two working days, the *contracting office may* assume the *offer* is accepted and proceed with award of an 8(a) contract.

(b) As part of the acceptance process, SBA will review the appropriateness of the NAICS code designation assigned to the requirement by the *contracting officer*.

(1) SBA will not challenge the NAICS code assigned to the requirement by the *contracting officer* if it is reasonable, even though other NAICS codes *may* also be reasonable.

(2) If SBA and the *contracting officer* are unable to agree on a NAICS code designation for the requirement, SBA *may* refuse to accept the requirement for the 8(a) program, appeal the *contracting officer's* determination to the *head of the agency* pursuant to 19.810, or appeal the NAICS code designation to the SBA Office of Hearings and Appeals under subpart C of 13 CFR part 134.

(c) *Sole source 8(a) awards*. If an appropriate match exists, SBA will advise the *contracting officer* whether it will participate in contract negotiations or whether SBA will authorize the *contracting officer* to negotiate directly with the identified 8(a) participant. Where SBA has delegated its contract execution functions to a *contracting agency*, SBA will also identify that delegation in its acceptance letter. For a joint venture, SBA will determine eligibility as part of its acceptance of a sole-source requirement and will approve the joint venture agreement prior to award in accordance with 13 CFR 124.513(e).

(1) Sole source award where the *contracting officer* nominates a specific 8(a) participant. SBA will determine whether an appropriate match exists where the *contracting officer* identifies a particular participant for a sole source award.

(i) Once SBA determines that a *procurement* is suitable to be accepted as an 8(a) sole source contract, SBA will normally accept it on behalf of the 8(a) participant recommended by the *contracting officer*, provided that the 8(a) participant complies with the requirements of 13 CFR 124.503(c)(1).

(ii) If an appropriate match does not exist, SBA will notify the 8(a) participant and the *contracting officer*, and *may* then nominate an *alternate* 8(a) participant.

(2) Sole source award where the *contracting officer* does not nominate a specific 8(a) participant. When a *contracting officer* does not nominate an 8(a) participant for performance of a sole source 8(a) contract, SBA will select an 8(a) participant for possible award from among two or more eligible and qualified 8(a) participants. The selection will be based upon relevant factors, including business development needs, compliance with competitive business mix requirements (if applicable), financial condition, management ability, technical capability, and whether award will promote the equitable distribution of 8(a) contracts. (For *construction* requirements see 13 CFR 124.503(d)(1)).

#### **19.804-4 Repetitive acquisitions.**

In order for repetitive *acquisitions* to be awarded through the 8(a) program, there *must* be separate *offers* and acceptances. This allows the SBA to determine-

(a) Whether the requirement *should* be a competitive 8(a) award;

(b) A nominated 8(a) participant's eligibility, and whether or not it is the same 8(a) participant that performed the previous contract;

(c) The effect that contract award would have on the equitable distribution of 8(a) contracts; and

(d) Whether the requirement *should* continue under the 8(a) program.

#### **19.804-5 Basic ordering agreements and blanket purchase agreements.**

(a) The *contracting office* shall submit an offering letter for, and SBA *must* accept, each order under

a basic ordering agreement (BOA) or a blanket purchase agreement (BPA) issued under part 13 (see 13.303), in addition to the agency offering and SBA accepting the BOA or BPA itself.

(b) SBA will not accept for award on a sole-source basis any order that would cause the total dollar amount of orders issued under a specific BOA or BPA to exceed the competitive threshold amount in 19.805-1.

(c) Once an 8(a) participant's program term expires, the participant otherwise exits the 8(a) program, or becomes other than small for the NAICS code assigned under the BOA or the BPA, SBA will not accept new orders under the BOA or BPA for the participant.

#### **19.804-6 Indefinite delivery contracts.**

(a) Separate *offers* and acceptances are not required for individual orders under *multiple-award contracts* (including the Federal Supply Schedules managed by GSA, multi-agency contracts or Governmentwide *acquisition* contracts, or indefinite-delivery, indefinite-quantity (IDIQ) contracts) that have been set aside for exclusive competition among 8(a) contractors, and the individual order is to be competed among all 8(a) contract holders. SBA's acceptance of the original contract is valid for the term of the contract. *Offers* and acceptances are required for individual orders under *multiple-award contracts* that have not been set aside for exclusive competition among 8(a) contractors.

(b) The *contracting officer may* issue an order on a sole source basis when—

(1) The *multiple-award contract* was set aside for exclusive competition among 8(a) participants;

(2) The order has an estimated value less than or equal to the dollar thresholds set forth at 19.805-1(a)(2); and

(3) The offering and acceptance procedures at 19.804-2 and 19.804-3 are followed.

(c) The *contracting officer may* issue an order directly to one 8(a) contractor in accordance with 19.504(c)(1)(ii) when—

(1) The *multiple-award contract* was reserved for 8(a) participants;

(2) The order has an estimated value less than or equal to \$7 million for *acquisitions* assigned manufacturing NAICS codes and \$4.5 million for all other *acquisitions*; and

(3) The offering and acceptance procedures at 19.804-2 and 19.804-3 are followed.

(d) An 8(a) contractor *may* continue to accept new orders under the contract, even if it exits the 8(a) program, or becomes other than small for the NAICS code(s) assigned to the contract.

(e) Agencies *may* continue to take credit toward their prime *contracting* small disadvantaged business or small business goals for orders awarded to 8(a) contractors, even after the contractor's 8(a) program term expires, the contractor otherwise exits the 8(a) program, or the contractor becomes other than small for the NAICS code(s) assigned under the 8(a) contract. However, if an 8(a) contractor rerepresents that it is other than small for the NAICS code(s) assigned under the contract in accordance with 19.301-2 or, where ownership or control of the 8(a) contractor has changed and SBA has granted a waiver to allow the contractor to continue performance (see 13 CFR

124.515), the agency *may* not credit any subsequent orders awarded to the contractor towards its small disadvantaged business or small business goals.

## **19.805 Competitive 8(a).**

### **19.805-1 General.**

(a) Except as provided in paragraph (b) of this section, an *acquisition* offered to the SBA under the 8(a) program *shall* be awarded on the basis of competition limited to eligible 8(a) participants when-

(1) There is a reasonable expectation that at least two eligible and responsible 8(a) participants will submit *offers* and that award can be made at a *fair market price*; and

(2) The anticipated total value of the contract, including *options*, will exceed \$7 million for *acquisitions* assigned manufacturing North American *Industry Classification System* (NAICS) codes and \$4.5 million for all other *acquisitions*.

(b) Where an *acquisition* exceeds the competitive threshold (see paragraph (a)(2) of this section), the SBA *may* accept the requirement for a sole source 8(a) award if-

(1) There is not a reasonable expectation that at least two eligible and responsible 8(a) participants will submit *offers* at a *fair market price*; or

(2) SBA accepts the requirement on behalf of a *concern* owned by an Indian tribe or an Alaska Native Corporation.

(c) A proposed 8(a) requirement with an estimated value exceeding the applicable competitive threshold amount *shall* not be divided into several requirements for lesser amounts in order to use 8(a) sole source procedures for award to a single firm.

(d) The SBA Associate Administrator for Business Development *may* approve a *contracting office's* request for a competitive 8(a) award below the competitive thresholds. Such requests will be approved only on a limited basis and will be primarily granted where technical competitions are appropriate or where a large number of responsible 8(a) participants are available for competition. In determining whether a request to compete below the threshold will be approved, the SBA Associate Administrator for Business Development will, in part, consider the extent to which the *contracting activity* is supporting the 8(a) program on a noncompetitive basis. The agency *may* include recommendations for competition below the threshold in the offering letter or by separate correspondence to the SBA Associate Administrator for Business Development.

### **19.805-2 Procedures.**

(a) *Offers shall* be solicited from those sources identified in accordance with [19.804-3](#).

(b) The SBA will determine the eligibility of the apparent successful *offeror*. Eligibility is based on section 8(a) program criteria (see [13 CFR 124.501\(g\)](#) and [19.816\(c\)](#)).

(1) In either negotiated or sealed bid competitive 8(a) *acquisitions* SBA will determine the eligibility of the apparent successful *offeror* and advise the *contracting office* within 5 working days after



receipt of the *contracting office's* request for an eligibility determination.

(i) If SBA determines that the apparent successful *offeror* is *ineligible*, the *contracting office* will then send to SBA the identity of the next highest evaluated *offeror* for an eligibility determination. The process is repeated until SBA determines that an identified *offeror* is eligible for award.

(ii) If the *contracting officer* believes that the apparent successful *offeror* (or the *offeror* SBA has determined eligible for award) is not responsible to perform the contract, the *contracting officer* must refer the matter to SBA for Certificate of Competency consideration under subpart [19.6](#).

(2) For a two-step design-build *procurement*, an 8(a) participant must be eligible for award under the 8(a) program on the initial date for receipt of phase one *offers* specified in the *solicitation* (see [13 CFR 124.507\(d\)\(3\)](#)).

(3) In any case in which an 8(a) participant is determined to be *ineligible*, SBA will notify the 8(a) participant of that determination.

(c) Any party with information questioning the eligibility of an 8(a) participant to continue participation in the 8(a) program or for the purposes of a specific 8(a) award may submit such information to the SBA in accordance with [13 CFR 124.112\(c\)](#).

(d)

(1) SBA does not certify joint ventures, as entities, into the 8(a) program.

(2) A *contracting officer* may consider a joint venture for contract award. SBA does not approve joint ventures for competitive awards (but see [13 CFR 124.501\(g\)](#) for SBA's determination of participant eligibility).

### **19.806 Pricing the 8(a) contract.**

(a) The *contracting officer* shall price the 8(a) contract in accordance with [subpart 15.4](#). If required by [subpart 15.4](#), the SBA shall obtain *certified cost or pricing data* from the 8(a) contractor. If the SBA requests audit assistance to determine the proposed price to be fair and reasonable in a *sole source acquisition*, the *contracting activity* shall furnish it to the extent it is available.

(b) An 8(a) contract, sole source or competitive, may not be awarded if the price of the contract results in a cost to the *contracting agency* which exceeds a *fair market price*.

(c) If requested by the SBA, the *contracting officer* shall make available the data used to estimate the *fair market price* within 10 working days.

(d) The negotiated contract price and the estimated *fair market price* are subject to the concurrence of the SBA. In the event of a disagreement between the *contracting officer* and the SBA, the SBA may appeal in accordance with [19.810](#).

### **19.807 Estimating fair market price.**

(a) The *contracting officer* shall estimate the *fair market price* of the work to be performed by the

8(a) contractor.

(b) In estimating the *fair market price* for an *acquisition* other than those covered in paragraph (c) of this section, the *contracting officer shall* use cost or price analysis and consider commercial prices for similar *products* and services, available in-house cost estimates, data (including *certified cost or pricing data*) submitted by the SBA or the 8(a) contractor, and data obtained from any other Government agency.

(c) In estimating a *fair market price* for a repeat purchase, the *contracting officer shall* consider recent award prices for the same items or work if there is comparability in quantities, conditions, terms, and performance times. The estimated price *should* be adjusted to reflect differences in specifications, plans, transportation costs, packaging and packing costs, and other circumstances. Price indices *may* be used as guides to determine the changes in labor and material costs. Comparison of commercial prices for similar items *may* also be used.

## **19.808 Contract negotiation.**

### **19.808-1 Sole source.**

(a) The SBA *may* not accept for negotiation a sole-source 8(a) contract that exceeds \$25 million unless the *requesting agency* has completed a justification in accordance with the requirements of [6.303](#).

(b) The SBA is responsible for initiating negotiations with the agency within the time established by the agency. If the SBA does not initiate negotiations within the agreed time and the agency cannot allow additional time, the agency *may*, after notifying the SBA, proceed with the *acquisition* from other sources.

(c) The SBA *should* participate, whenever practicable, in negotiating the *contracting* terms. When mutually agreeable, the SBA *may* authorize the *contracting officer* to negotiate directly with the 8(a) participant. Whether or not direct negotiations take place, the SBA is responsible for approving the resulting contract before award.

(d) An 8(a) participant *must* represent that it is a small business in accordance with the size standard corresponding to the NAICS code assigned to the contract.

(e) A *concern must* be a current participant in the 8(a) program at the time of an 8(a) sole-source award.

(f) An 8(a) participant owned by an Alaska Native Corporation, Indian Tribe, Native Hawaiian Organization, or Community Development Corporation *may* not receive an 8(a) sole-source award that is a follow-on contract to an 8(a) contract, if the predecessor contract was performed by another 8(a) participant (or former 8(a) participant) owned by the same Alaska Native Corporation, Indian Tribe, Native Hawaiian Organization, or Community Development Corporation (See 13 CFR 124.109 through 124.111).

### **19.808-2 Competitive.**

In competitive 8(a) *acquisitions*, including follow-on 8(a) *acquisitions*, subject to part 15, the

*contracting officer* conducts negotiations directly with the competing 8(a) participants. Conducting competitive negotiations among eligible 8(a) participants prior to SBA's formal acceptance of the *acquisition* for the 8(a) program *may* be grounds for the SBA's not accepting the *acquisition* for the 8(a) program.

## **19.809 Preaward considerations.**

### **19.809-1 Preaward survey.**

The *contracting officer* should request a *preaward survey* of the 8(a) participant whenever considered useful. If the results of the *preaward survey* or other information available to the *contracting officer* raise substantial doubt as to the participant's ability to perform, the *contracting officer* shall refer the matter to SBA for Certificate of Competency consideration under subpart 19.6.

### **19.809-2 Limitations on subcontracting and nonmanufacturer rule.**

(a) *Limitations on subcontracting.* To be awarded a contract or order under the 8(a) program, the 8(a) participant is required to perform—

- (1) For services (except *construction*), at least 50 percent of the cost incurred for personnel with its own employees;
- (2) For *supplies* or *products* (other than a *procurement* from a nonmanufacturer of such *supplies* or *products*), at least 50 percent of the cost of manufacturing the *supplies* or *products* (not including the cost of materials);
- (3) For general *construction*, at least 15 percent of the cost with its own employees (not including the cost of materials); and
- (4) For *construction* by special trade contractors, at least 25 percent of the cost with its own employees (not including the cost of materials).

(b) *Compliance period.* An 8(a) contractor is required to comply with the limitations on subcontracting—

- (1) For a contract under the 8(a) program, either by the end of the base term and then by the end of each subsequent *option* period or by the end of the performance period for each order issued under the contract, at the *contracting officer's* discretion; and
- (2) For an order competed exclusively among contractors who are 8(a) participants or for an order issued directly to one 8(a) contractor in accordance with 19.504(c)(1)(ii), by the end of the performance period for the order.

(c) *Waiver.* The applicable SBA District Director *may* waive the provisions in paragraph (b)(1) requiring a participant to comply with the limitations on subcontracting for each period of performance or for each order. Instead, the SBA District Director *may* permit the participant to subcontract in excess of the limitations on subcontracting where the SBA District Director makes a written determination that larger amounts of subcontracting are essential during certain stages of

performance.

(1) The 8(a) participant is required to provide the SBA District Director written assurance that the participant will ultimately comply with the requirements of this section prior to contract completion. The *contracting officer shall* review the written assurance and inform the 8(a) participant of their concurrence or nonconcurrence. The 8(a) participant can only submit the written assurance to the SBA District Director upon concurrence by the *contracting officer*.

(2) The *contracting officer* does not have the authority to waive the provisions of this section requiring an 8(a) participant to comply with the limitations on subcontracting for each period of performance or order, even if the agency has a Partnership Agreement with SBA.

(3) Where the 8(a) participant does not ultimately comply with the limitations on subcontracting by the end of the contract, SBA will not grant future waivers for the 8(a) participant.

(d) *Nonmanufacturer rule*. See [19.505\(c\)](#) for application of the nonmanufacturer rule, inclusive of waivers and exceptions to the nonmanufacturer rule.

### **19.810 SBA appeals.**

(a) The SBA Administrator *may* submit the following matters for determination to the *agency head* if the SBA and the *contracting officer* fail to agree on them:

(1) The decision not to make a particular *acquisition* available for award under the 8(a) Program.

(2) A *contracting officer's* decision to reject a specific 8(a) participant for award of an 8(a) contract after SBA's acceptance of the requirement for the 8(a) program.

(3) The terms and conditions of a proposed 8(a) contract, including the *contracting officer's* NAICS code designation and estimate of the *fair market price*.

(4) A *contracting officer's* decision that an *acquisition* previously procured under the 8(a) program is a new requirement not subject to the release requirements at 13 CFR 124.504(d)(1) (see [19.815\(a\)](#) and (d)(1)).

(b)

(1) Notification by SBA of an intent to appeal to the *agency head*-

(i) *Must* be received by the *contracting officer* within 5 working days after SBA is formally notified of the *contracting officer's* decision; and

(ii) *Must* be provided to the *contracting* agency Director for the Office of Small and Disadvantaged Business Utilization or, for the Department of Defense, the Director of the Office of Small Business Programs.

(2) SBA *must* send the written appeal to the *agency head* within 15 working days of SBA's notification of intent to appeal or the appeal *may* be considered withdrawn. Pending issuance of a decision by the *agency head*, the *contracting officer shall* suspend action on the *acquisition*. The *contracting officer* need not suspend action on the *acquisition* if the *contracting officer* makes a written determination that urgent and compelling circumstances that significantly affect the

interests of the *United States* will not permit waiting for a decision.

(c) If the SBA appeal is denied, the decision of the *agency head shall* specify the reasons for the denial, including the reasons why the selected participant was determined incapable of performance, if appropriate. The decision *shall* be made a part of the contract file.

## **19.811 Preparing the contracts.**

### **19.811-1 Sole source.**

(a) The contract to be awarded by the agency to the SBA *shall* be prepared in accordance with agency procedures and in the same detail as would be required in a contract with a business concern. The *contracting officer shall* use the Standard Form 26 as the award form, except for *construction* contracts, in which case the Standard Form 1442 *shall* be used as required in 36.701(a).

(b) The *contracting officer shall* prepare the contract that the SBA will award to the 8(a) participant in accordance with agency procedures, as if awarding the contract directly to the 8(a) participant, except for the following:

(1) The award form *shall* cite 41 U.S.C. 3304(a)(5) or 10 U.S.C. 3204(a)(5) (as appropriate) as the authority for use of other than *full and open competition*.

(2) Appropriate clauses *shall* be included, as necessary, to reflect that the contract is between the SBA and the 8(a) contractor.

(3) The following items *shall* be inserted by the SBA:

(i) The SBA contract number.

(ii) The effective date.

(iii) The typed name of the SBA's *contracting officer*.

(iv) The *signature* of the SBA's *contracting officer*.

(v) The date signed.

(4) The SBA will obtain the *signature* of the 8(a) contractor prior to signing and returning the prime contract to the *contracting officer* for *signature*. The SBA will make every effort to obtain *signatures* and return the contract, and any subsequent bilateral modification, to the *contracting officer* within a maximum of 10 working days.

(c) Except in *procurements* where the SBA will make advance payments to its 8(a) contractor, the agency *contracting officer may*, as an alternative to the procedures in paragraphs (a) and (b) of this subsection, use a single contract document for both the prime contract between the agency and the SBA and its 8(a) contractor. The single contract document *shall* contain the information in paragraphs (b) (1), (2), and (3) of this subsection. Appropriate blocks on the Standard Form (SF) 26 or 1442 will be asterisked and a continuation sheet appended as a tripartite agreement which includes the following:

(1) Agency *acquisition* office, prime contract number, name of agency *contracting officer* and lines for *signature*, date signed, and effective date.

(2) The SBA office, the SBA contract number, name of the SBA *contracting officer*, and lines for *signature* and date signed.

(3) Name and lines for the 8(a) subcontractor's *signature* and date signed.

(d) For *acquisitions* not exceeding the *simplified acquisition threshold*, the *contracting officer* may use the alternative procedures in paragraph (c) of this subsection with the appropriate *simplified acquisition* forms.

### **19.811-2 Competitive.**

(a) The contract will be prepared in accordance with 14.408-1(d), except that appropriate blocks on the Standard Form 26 or 1442 will be asterisked and a continuation sheet appended as a tripartite agreement which includes the following:

(1) The agency *contracting activity*, prime contract number, name of agency *contracting officer*, and lines for *signature*, date signed, and effective date.

(2) The SBA office, the SBA subcontract number, name of the SBA *contracting officer* and lines for *signature* and date signed.

(b) The process for obtaining *signatures* shall be as specified in 19.811-1(b)(4).

### **19.811-3 Contract clauses.**

(a) The *contracting officer* shall insert the clause at 52.219-11, Special 8(a) Contract Conditions, in contracts between the SBA and the agency when the *acquisition* is accomplished using the procedures of 19.811-1(a) and (b).

(b) The *contracting officer* shall insert the clause at 52.219-12, Special 8(a) Subcontract Conditions, in contracts between the SBA and its 8(a) contractor when the *acquisition* is accomplished using the procedures of 19.811-1(a) and (b).

(c) The *contracting officer* shall insert the clause at 52.219-17, Section 8(a) Award, in competitive *solicitations* and contracts when the *acquisition* is accomplished using the procedures of 19.805 and in sole source awards which utilize the alternative procedure in 19.811-1(c).

(d) The *contracting officer* shall insert the clause at 52.219-18, Notification of Competition Limited to Eligible 8(a) Participants, in competitive *solicitations* and contracts when the *acquisition* is accomplished using the procedures of 19.805. Use the clause at 52.219-18 with its *Alternate I* when competition is to be limited to 8(a) participants within one or more specific SBA districts pursuant to 19.804-2.

(e) For contracts or orders resulting from this subpart, see 19.507(e) for use of 52.219-14, Limitations on Subcontracting, and 19.507(h) for use of 52.219-33, Nonmanufacturer Rule.

## **19.812 Contract administration.**

- (a) The *contracting officer shall* assign contract administration functions, as required, based on the location of the 8(a) contractor (see Federal Directory of Contract Administration Services *Components* (available via the Internet at <https://piee.eb.mil/pcm/xhtml/unauth/index.xhtml> )).
- (b) The agency *shall* distribute copies of the contract(s) in accordance with [part 4](#). All contracts and modifications, if any, *shall* be distributed to both the SBA and the 8(a) contractor in accordance with the timeframes set forth in [4.201](#).
- (c) To the extent consistent with the *contracting activity's* capability and resources, 8(a) contractors furnishing requirements *shall* be afforded production and technical assistance, including, when appropriate, identification of causes of deficiencies in their *products* and suggested corrective action to make such *products* acceptable.
- (d) For 8(a) contracts exceeding 5 years including *options*, the *contracting officer shall* verify in DSBS or SAM that the *concern* is an SBA-certified 8(a) participant no more than 120 days prior to the end of the fifth year of the contract. If the *concern* is not an SBA-certified 8(a) participant, the *contracting officer shall* not exercise the *option* (see [13 CFR 124.521\(e\)\(2\)](#)).
- (e) An 8(a) contract, whether in the base or an *option* year, *must* be terminated for convenience if the 8(a) contractor to which it was awarded transfers ownership or control of the firm or if the contract is transferred or novated for any reason to another firm, unless the Administrator of the SBA waives the requirement for contract termination (13 CFR 124.515). The Administrator *may* waive the termination requirement only if certain conditions exist. Moreover, a waiver of the requirement for termination is permitted only if the 8(a) contractor's request for waiver is made to the SBA prior to the actual relinquishment of ownership or control, except in the case of death or incapacity where the waiver *must* be submitted within 60 calendar days after such an occurrence. The clauses in the contract entitled "Special 8(a) Contract Conditions" and "Special 8(a) Subcontract Conditions" require the SBA and the 8(a) subcontractor to notify the *contracting officer* when ownership of the firm is being transferred. When the *contracting officer* receives information that an 8(a) contractor is planning to transfer ownership or control to another firm, the *contracting officer shall* take action immediately to preserve the *option* of waiving the termination requirement. The *contracting officer shall* determine the timing of the proposed transfer and its effect on contract performance and mission support. If the *contracting officer* determines that the SBA does not intend to waive the termination requirement, and termination of the contract would severely impair attainment of the agency's program objectives or mission, the *contracting officer shall* immediately notify the SBA *in writing* that the agency is requesting a waiver. Within 15 business days thereafter, or such longer period as agreed to by the agency and the SBA, the *agency head must* either confirm or withdraw the request for waiver. Unless a waiver is approved by the SBA, the *contracting officer must* terminate the contract for convenience upon receipt of a written request by the SBA. This requirement for a convenience termination does not affect the Government's right to terminate for default if the cause for termination of an 8(a) contract is other than the transfer of ownership or control.

## **19.813 Protesting an 8(a) participant's eligibility or size status.**

- (a) The eligibility of an 8(a) participant for a sole source or competitive 8(a) requirement *may* not be challenged by another 8(a) participant or any other party, either to SBA or any administrative forum

as part of a bid or other contract protest (see 13 CFR 124.517).

(b) The size status of an 8(a) participant nominated for an 8(a) sole source contract *may* not be protested by another 8(a) participant or any other party.

(c) The size status of the apparent successful *offeror* for competitive 8(a) awards *may* be protested. The filing of a size status protest is limited to-

(1) Any *offeror* whom the *contracting officer* has not eliminated for reasons unrelated to size;

(2) The *contracting officer*; or

(3) The SBA District Director in either the district office serving the geographical area in which the *contracting activity* is located or the district office that services the apparent successful *offeror*, or the Associate Administrator for Business Development.

(d) Protests of competitive 8(a) awards *shall* follow the procedures at [19.302](#). For additional information, refer to 13 CFR 121.1001.

### **19.814 Requesting a formal size determination (8(a) sole source requirements).**

(a) If the size status of an 8(a) participant nominated for award of an 8(a) sole source contract is called into question, a request for a formal size determination *may* be submitted to SBA pursuant to 13 CFR 121.1001(b)(2)(ii) by-

(1) The 8(a) participant nominated for award of the particular sole source contract;

(2) The *contracting officer* who has been delegated SBA's 8(a) contract execution functions, where applicable, or the SBA program official with authority to execute the 8(a) contract;

(3) The SBA District Director in the district office that services the 8(a) participant or the Associate Administrator for Business Development; or

(4) The SBA Inspector General.

(b) SBA's Government *Contracting* Area Director will issue a formal size determination within 15 business days, if possible, after SBA receives the request for a formal size determination.

(c) An appeal of an SBA size determination *shall* follow the procedures at [19.302](#).

### **19.815 Release and notification requirements for non-8(a) procurement.**

(a) Once a requirement has been accepted by SBA into the 8(a) program, any follow-on requirements (see definition at [13 CFR 124.3](#)) *shall* remain in the 8(a) program unless—

(1) SBA agrees to release the requirement from the 8(a) program for a follow-on, non-8(a) *procurement* in accordance with [13 CFR 124.504\(d\)](#) (see paragraph (b) of this section); or

(2) There is a mandatory source (see [8.002](#) or [8.003](#); also see paragraph (f) of this section).



(b) To obtain release of a requirement for a follow-on, non-8(a) *procurement*, (other than a mandatory source listed at [8.002](#) or [8.003](#)), the *contracting officer shall* make a written request to, and receive concurrence from, the SBA Associate Administrator for Business Development.

(c)

(1) The written request to the SBA Associate Administrator for Business Development *shall* indicate

(i) Whether the agency has achieved its small disadvantaged business goal;

(ii) Whether the agency has achieved its *HUBZone*, SDVOSB, WOSB, or small business goal(s); and

(iii) Whether the requirement is critical to the business development of the 8(a) contractor that is currently performing the requirement.

(2) Generally, a requirement that was previously accepted into the 8(a) program will only be released for *procurements* outside the 8(a) program when the *contracting activity* agency agrees to set aside the requirement under the small business, *HUBZone*, SDVOSB, or WOSB programs.

(3) The requirement that a follow-on *procurement must* be released from the 8(a) program in order for it to be fulfilled outside the 8(a) program does not apply to task or *delivery orders* offered to and accepted into the 8(a) program, where the basic contract was not accepted into the 8(a) program.

(d)

(1) When a *contracting officer* decides that a requirement previously procured under the 8(a) program is a new requirement and not a follow-on requirement to an 8(a) contract(s), the *contracting officer shall* coordinate with and submit a written notice to the SBA District Office servicing the 8(a) incumbent firm and to the SBA *procurement* center representative (or, if a *procurement* center representative is not assigned, see [19.402\(a\)](#)) indicating that the agency intends to procure the requirement outside the 8(a) program (see [19.810\(a\)\(4\)](#)).

(2) The written notice *shall* include a copy of the *acquisition* plan, if available; the *performance work statement (PWS)*, statement of work (SOW), or *statement of objectives (SOO)* for the new contract requirement; and the values of the existing 8(a) contract(s) and the new contract requirement.

(e)

(1) When a *contracting officer* decides to procure a follow-on requirement to an 8(a) contract using an existing, limited competition *contracting* vehicle that is not available to all 8(a) participants, and the current or previous 8(a) contract was available to all 8(a) participants, the *contracting officer shall* coordinate with and submit a written notice to the SBA District Office servicing the 8(a) incumbent firm and to the SBA *procurement* center representative (or, if a *procurement* center representative is not assigned, see [19.402\(a\)](#)) indicating the intent to do so.

(2) The written notice *shall* include a copy of the *acquisition* plan, if available; the PWS, SOW, or SOO for the new contract requirement; and the values of both contracts.

(f)

(1) When a mandatory source will be used for a follow-on requirement to an 8(a) contract, the *contracting officer should* submit a written notice to the SBA Associate Administrator for Business Development of the intent to do so at least 30 days prior to the end of the contract or order in accordance with [13 CFR 124.504\(d\)\(4\)\(ii\)](#).

(2) The written notice *should* include a written determination that a mandatory source will be used to fulfill the requirement.

### **19.816 Exiting the 8(a) program.**

(a) Except as provided in paragraph (c) of this section, when a contractor exits the 8(a) program, it is no longer eligible to receive new 8(a) contracts. However, the contractor remains under contractual obligation to complete existing contracts, and any priced *options* that *may* be exercised.

(b) If an 8(a) contractor is suspended from the program (see 13 CFR 124.305), it *may* not receive any new 8(a) contracts unless the head of the *contracting* agency makes a determination that it is in the best interest of the Government to issue the award and SBA adopts that determination.

(c) A contractor that has completed its term of participation in the 8(a) program *may* be awarded a competitive 8(a) contract if it was an 8(a) participant eligible for award of the contract on the initial date specified for receipt of *offers* contained in the *solicitation*, and if the contractor continues to meet all other applicable eligibility criteria (see [13 CFR 124.507\(d\)](#)).

(d) SBA's regulations on exiting the 8(a) program are found at 13 CFR 124.301 through 124.305, and 13 CFR 124.507(d).

## **Subpart 19.9 - [Reserved]**

## **Subpart 19.10 - [Reserved]**

## **Subpart 19.11 - [Reserved]**

## **Subpart 19.12 - [Reserved]**

## **Subpart 19.13 - Historically Underutilized Business Zone (HUBZone) Program**

### **19.1301 General.**

(a) The Historically Underutilized Business Zone (*HUBZone*) Act of 1997 ([15 U.S.C.631](#) note) created the *HUBZone* Program.

(b) The purpose of the *HUBZone* Program is to provide Federal *contracting* assistance for qualified small business *concerns* located in historically underutilized business zones, in an effort to increase employment opportunities, investment, and economic development in those areas.

### **19.1302 [Reserved].**

### **19.1303 Status as a HUBZone small business concern.**

(a) Status as a *HUBZone* small business *concern* is determined by the Small Business Administration (SBA) in accordance with 13 CFR Part 126.

(b) If SBA determines that a *concern* is a *HUBZone* small business, it will designate the *concern* as a *HUBZone* small business in the Dynamic Small Business Search (DSBS) at [https://web.sba.gov/pro-net/search/dsp\\_dsbs.cfm](https://web.sba.gov/pro-net/search/dsp_dsbs.cfm). SBA's designation also appears in SAM. Only firms designated in DSBS and SAM as *HUBZone* small business *concerns* are eligible for *HUBZone* preferences. *HUBZone* preferences are not contingent on the place of performance.

(c) A joint venture *may* be considered a *HUBZone* small business *concern* if—

(1) The joint venture qualifies as small under [19.301-1\(a\)\(2\)\(i\)](#);

(2) At least one party to the joint venture is a *HUBZone* small business *concern*; and

(3) The joint venture complies with [13 CFR 126.616\(a\)](#) through [\(c\)](#).

(d) To be eligible for a *HUBZone contract* under this section, a *HUBZone* small business *concern* *must* be a *HUBZone* small business *concern* at the time of its initial *offer*.

### **19.1304 Exclusions.**

This subpart does not apply to-

(a) Requirements that can be satisfied through award to-

(1) Federal Prison *Industries*, Inc. (see [subpart 8.6](#)); or

(2) AbilityOne participating non-profit agencies for the blind or severely disabled (see [subpart 8.7](#));

(b) Orders under indefinite-delivery contracts (see subpart [16.5](#)). (But see [16.505\(b\)\(2\)\(i\)\(F\)](#) for discretionary set-asides of orders);

(c) Orders against Federal Supply Schedules (see subpart [8.4](#)). (But see [8.405-5](#) for discretionary set-asides of orders);

(d) Requirements currently being performed by an 8(a) participant or requirements SBA has accepted for performance under the authority of the 8(a) program, unless SBA has consented to

release the requirements from the 8(a) program; or

(e) Requirements for commissary or exchange resale items.

### **19.1305 HUBZone set-aside procedures.**

(a) The *contracting officer*-

(1) *Shall* comply with [19.203](#) before deciding to set aside an *acquisition* under the HUBZone Program;

(2) *May* set aside *acquisitions* exceeding the *micro-purchase threshold* for competition restricted to HUBZone small business concerns when the requirements of paragraph (b) of this section can be satisfied; and

(3) *Shall* consider HUBZone set-asides before considering HUBZone sole-source awards (see [19.1306](#)) or small business set-asides (see subpart [19.5](#)).

(b) To set aside an *acquisition* for competition restricted to HUBZone small business concerns, the *contracting officer* must have a reasonable expectation that-

(1) *Offers* will be received from two or more HUBZone small business concerns; and

(2) Award will be made at a *fair market price*.

(c) If the *contracting officer* receives only one acceptable *offer* from a HUBZone small business concern in response to a set aside, the *contracting officer* should make an award to that concern. If the *contracting officer* receives no acceptable *offers* from HUBZone small business concerns, the HUBZone set-aside shall be withdrawn and the requirement, if still valid, set aside for small business concerns, as appropriate (see [19.203](#)).

(d) The procedures at [19.202-1](#) and, at [19.402](#) apply to this section.

(1) When the SBA intends to appeal a *contracting officer's* decision to reject a recommendation of the SBA *procurement* center representative (or, if a *procurement* center representative is not assigned, see [19.402](#)(a)) to set aside an *acquisition* for competition restricted to HUBZone small business concerns, the SBA *procurement* center representative shall notify the *contracting officer*, in writing, of its intent within 5 business days of receiving the *contracting officer's* notice of rejection.

(2) Upon receipt of notice of SBA's intent to appeal, the *contracting officer* shall suspend action on the *acquisition* until the *head of the contracting activity* issues a written decision on the appeal, unless the *head of the contracting activity* makes a written determination that urgent and compelling circumstances, which significantly affect the interests of the Government, exist.

(3) Within 15 business days of SBA's notification to the *contracting officer*, SBA must file its formal appeal with the *head of the agency*, or the appeal will be deemed withdrawn. The *head of the agency* shall reply to SBA within 15 business days of receiving the appeal. The decision of the *head of the agency* shall be final.

### **19.1306 HUBZone sole-source awards.**

(a) A *contracting officer* shall consider a contract award to a *HUBZone* small business concern on a sole-source basis (see 6.302-5(b)(5)) before considering a small business set-aside (see 19.203 and subpart 19.5), provided none of the exclusions at 19.1304 apply; and-

(1) The *contracting officer* does not have a reasonable expectation that *offers* would be received from two or more *HUBZone* small business concerns;

(2) The anticipated price of the contract, including *options*, will not exceed-

(i) \$7 million for a requirement within the North American *Industry Classification System* (NAICS) codes for manufacturing; or

(ii) \$4.5 million for a requirement within all other NAICS codes;

(3) The requirement is not currently being performed by an 8(a) participant under the provisions of subpart 19.8 or has been accepted as a requirement by SBA under subpart 19.8;

(4) The *HUBZone* small business concern has been determined to be a responsible contractor with respect to performance; and

(5) Award can be made at a fair and reasonable price.

(b) The SBA has the right to appeal the *contracting officer's* decision not to make a *HUBZone* sole-source award (see 13 CFR 126.610).

### **19.1307 Price evaluation preference for HUBZone small business concerns.**

(a) The price evaluation preference for *HUBZone* small business concerns shall be used in *acquisitions* conducted using *full and open competition*. The preference shall not be used-

(1) Where price is not a selection factor so that a price evaluation preference would not be considered (*e.g.*, Architect/Engineer *acquisitions*);

(2) Where all fair and reasonable *offers* are accepted (*e.g.*, the award of multiple award schedule contracts); or

(3) For the reserved portion of a *solicitation* for a *multiple-award contract* (see 19.503).

(b) The *contracting officer* shall give *offers* from *HUBZone* small business concerns a price evaluation preference by adding a factor of 10 percent to all *offers*, except-

(1) *Offers* from *HUBZone* small business concerns that have not waived the evaluation preference; or

(2) Otherwise successful *offers* from small business concerns.

(c) The factor of 10 percent shall be applied on a *line item* basis or to any group of items on which award may be made. Other evaluation factors, such as transportation costs or rent-free use of Government property, shall be added to the *offer* to establish the base *offer* before adding the factor

of 10 percent.

(d) When the two highest rated *offerors* are a *HUBZone* small business *concern* and a large business, and the evaluated *offer* of the *HUBZone* small business *concern* is equal to the evaluated *offer* of the large business after considering the price evaluation preference, the *contracting officer* shall award the contract to the *HUBZone* small business *concern*.

### **19.1308 [Reserved].**

### **19.1309 Contract clauses.**

(a) The *contracting officer* shall insert the clause 52.219-3, Notice of *HUBZone* Set-Aside or Sole-Source Award, in *solicitations* and contracts for *acquisitions* that are set aside or awarded on a sole-source basis to, *HUBZone* small business *concerns* under 19.1305 or 19.1306. This includes *multiple-award contracts* when orders may be set aside for *HUBZone* small business *concerns* as described in 8.405-5 and 16.505(b)(2)(i)(F) or when orders may be issued directly to one *HUBZone* small business *concern* in accordance with 19.504(c)(1)(ii).

(b) The *contracting officer* shall insert the clause at 52.219-4, Notice of Price Evaluation Preference for *HUBZone* Small Business *Concerns*, in *solicitations* and contracts for *acquisitions* conducted using *full and open competition*.

(c) For use of clause 52.219-14, Limitations on Subcontracting, see the prescription at 19.507(e).

(d) For use of clause 52.219-33, Nonmanufacturer Rule, see the prescription at 19.507(h).

## **Subpart 19.14 - Service-Disabled Veteran-Owned Small Business Program**

### **19.1401 General.**

(a) The Veterans Benefit Act of 2003 (15 U.S.C. 657f) created the *procurement* program for small business *concerns* owned and controlled by service-disabled veterans (commonly referred to as the "*Service-Disabled Veteran-owned Small Business (SDVOSB) Program*").

(b) The purpose of the SDVOSB Program is to provide Federal *contracting* assistance to service-disabled veteran-owned small business *concerns*.

### **19.1402 Applicability.**

The procedures in this subpart apply to all *Federal agencies* that employ one or more *contracting officers*.

## **19.1403 Status.**

(a) Status as an SDVOSB *concern* is determined by SBA in accordance with 13 CFR part 128; also see [19.307](#).

(b) For an SDVOSB *concern* that seeks an SDVOSB set-aside or sole-source contract, the *contracting officer shall verify that the offeror—*

(1) Effective January 1, 2024, is designated in the *System for Award Management (SAM)* as an SDVOSB *concern* certified by SBA; or

(2) Has represented that it is an SDVOSB *concern* in SAM and submitted an application for certification to SBA on or before December 31, 2023. Pending applications for certification are in the SBA Veteran Small Business Certification Program database at <https://veterans.certify.sba.gov>.

(c) If there is a decision issued by SBA as a result of a current eligibility examination finding that the *concern* did not qualify as an SDVOSB *concern* eligible under the SDVOSB Program or SBA denies a *concern's* application for SDVOSB certification, the *concern must* update its SDVOSB status in SAM within 2 days of SBA's final decision to reflect that the *concern* is not an eligible SDVOSB. SBA will update the *concern's* SDVOSB status in SAM within 2 days of the *concern's* failure to make the update.

(d) Effective January 1, 2024, a joint venture *may* be considered an SDVOSB *concern* eligible under the SDVOSB Program if—

(1) The joint venture qualifies as small under [19.301-1\(a\)\(2\)\(i\)](#);

(2) The managing SDVOSB joint venture partner—

(i) Is designated in SAM as an SDVOSB *concern* certified by SBA; or

(ii) Has represented that it is an SDVOSB *concern* in SAM and submitted an application for certification to SBA on or before December 31, 2023. Pending applications for certification are in the SBA Veteran Small Business Certification database at <https://veterans.certify.sba.gov>; and

(3) The joint venture complies with the requirements of 13 CFR 128.402.

## **19.1404 Exclusions.**

This subpart does not apply to-

(a) Requirements that can be satisfied through award to-

(1) Federal Prison *Industries, Inc.* (see [subpart 8.6](#));

(2) AbilityOne participating non-profit agencies for the blind or severely disabled (see [subpart 8.7](#));

(b) Orders under indefinite-delivery contracts (see subpart [16.5](#)). (But see [16.505\(b\)\(2\)\(i\)\(F\)](#) for discretionary set-asides of orders);

(c) Orders against Federal Supply Schedules (see subpart [8.4](#)). (But see [8.405-5](#) for discretionary

set-asides of orders); or

(d) Requirements currently being performed by an 8(a) participant or requirements SBA has accepted for performance under the authority of the 8(a) program, unless SBA has consented to release the requirements from the 8(a) program.

### **19.1405 Set-aside procedures.**

(a) The *contracting officer*-

(1) *Shall* comply with 19.203 before deciding to set aside an *acquisition* under the SDVOSB Program;

(2) *May* set-aside *acquisitions* exceeding the *micro-purchase threshold* for competition restricted to SDVOSB *concerns* when the requirements of paragraph (b) of this section can be satisfied; and

(3) *Shall* consider SDVOSB set-asides before considering SDVOSB sole source awards (see 19.1406) or small business set-asides (see subpart 19.5).

(b) A *contracting officer* may restrict competition to SDVOSB *concerns* eligible under the SDVOSB Program if there is a reasonable expectation based on *market research* that—

(1) Two or more SDVOSB *concerns* eligible under the SDVOSB Program will submit *offers*; and

(2) Award will be made at a *fair market price*.

(c) Effective January 1, 2024, the *contracting officer shall*—

(1) Verify that *offers* received are eligible for consideration for award by checking if the *offeror*—

(i) Is designated in SAM as an SDVOSB *concern* certified by SBA; or

(ii) Has represented that it is an SDVOSB *concern* in SAM and submitted an application for certification to SBA on or before December 31, 2023. Pending applications for certification are in the SBA Veteran Small Business Certification database at <https://veterans.certify.sba.gov>;

(2) Proceed with the *offer* evaluation, if the *offeror* meets the criteria in paragraph (c)(1)(i) or (ii) of this section; or

(3) Remove the *offeror* from consideration, if the *offeror* does not meet the criteria in paragraph (c)(1)(i) or (ii) of this section, as the *offeror* is not eligible for award.

(d) If the *contracting officer* receives only one acceptable *offer* from an SDVOSB *concern* eligible under the SDVOSB Program in response to a set-aside, the *contracting officer* should make an award to that *concern*. If the *contracting officer* receives no acceptable *offers* from SDVOSB *concerns* eligible under the SDVOSB Program, the SDVOSB set-aside *shall* be withdrawn and the requirement, if still valid, set aside for small business *concerns*, as appropriate (see 19.203).

(e) The procedures at 19.202-1 and, except for *acquisitions* not exceeding the *simplified acquisition threshold*, at 19.402 apply to this section. When the SBA intends to appeal a *contracting officer's* decision to reject a recommendation of the SBA *procurement* center representative (or, if a *procurement* center representative is not assigned, see 19.402(a)) to set aside an *acquisition* for competition restricted to SDVOSB *concerns*, the SBA *procurement* center representative *shall* notify



the *contracting officer, in writing*, of its intent within 5 working days of receiving the *contracting officer's* notice of rejection. Upon receipt of notice of SBA's intent to appeal, the *contracting officer shall* suspend action on the *acquisition* unless the *head of the contracting activity* makes a written determination that urgent and compelling circumstances, which significantly affect the interests of the Government, exist. Within 15 working days of SBA's notification to the *contracting officer*, SBA *shall* file its formal appeal with the *head of the contracting activity*, or that agency may consider the appeal withdrawn. The *head of the contracting activity shall* reply to SBA within 15 working days of receiving the appeal. The decision of the *head of the contracting activity shall* be final.

### **19.1406 Sole source awards.**

(a) A *contracting officer shall* consider a contract award to a SDVOSB *concern* on a sole source basis (see 6.302-5(b)(6)), before considering small business set-asides (see 19.203 and subpart 19.5) provided none of the exclusions of 19.1404 apply and—

(1) The *contracting officer* does not have a reasonable expectation that *offers* would be received from two or more service-disabled veteran-owned small business *concerns*;

(2) The anticipated award price of the contract, including *options*, will not exceed-

(i) \$7 million for a requirement within the NAICS codes for manufacturing; or

(ii) \$4 million for a requirement within any other NAICS code;

(3) The requirement is not currently being performed by an 8(a) participant under the provisions of subpart 19.8 or has been accepted as a requirement by SBA under subpart 19.8;

(4) The service-disabled veteran-owned small business *concern* has been determined to be a responsible contractor with respect to performance; and

(5) Award can be made at a fair and reasonable price.

(b) Effective January 1, 2024, a *contracting officer shall* only award a sole-source contract to a *concern* that—

(1) Is designated in SAM as an SDVOSB *concern* certified by SBA; or

(2) Has represented that it is an SDVOSB *concern* in SAM and submitted an application for certification to SBA on or before December 31, 2023. Pending applications for certification are in the SBA Veteran Small Business Certification Program database at <https://veterans.certify.sba.gov>.

(c) The SBA has the right to appeal the *contracting officer's* decision not to make an SDVOSB sole-source award.

### **19.1407 [Reserved]**

### **19.1408 Contract clauses.**

(a) The *contracting officer shall* insert the clause at 52.219-27, Notice of Set-Aside for, or Sole-

Source Award to, Service-Disabled Veteran-Owned Small Business (SDVOSB) *Concerns* Eligible Under the SDVOSB Program, in *solicitations* and contracts for *acquisitions* that are set aside or awarded on a sole-source basis to, service-disabled veteran-owned small business *concerns* under [19.1405](#) and [19.1406](#). This includes *multiple-award contracts* when orders *may* be set aside for service-disabled veteran-owned small business *concerns* as described in [8.405-5](#) and [16.505\(b\)\(2\)\(i\)\(F\)](#) or when orders *may* be issued directly to one service-disabled veteran-owned small business contractor in accordance with [19.504\(c\)\(1\)\(ii\)](#).

(b) For use of clause [52.219-14](#), Limitations on Subcontracting, see the prescription at [19.507\(e\)](#).

(c) For use of clause [52.219-33](#), Nonmanufacturer Rule, see the prescription at [19.507\(h\)](#).

## **Subpart 19.15 - Women-Owned Small Business Program.**

### **19.1500 General.**

(a) Section 8(m) of the Small Business Act ([15 U.S.C. 637\(m\)](#)) created the Women-Owned Small Business (WOSB) Program.

(b) The purpose of the WOSB Program is to ensure *women-owned small business concerns* have an equal opportunity to participate in Federal *contracting* and to assist agencies in achieving their women-owned small business participation goals (see 13 part CFR 127).

(c) An *economically disadvantaged women-owned small business (EDWOSB) concern* and a WOSB *concern* eligible under the WOSB Program are subcategories of “*women-owned small business concern*” as defined in section [2.101](#).

### **19.1501 [Reserved]**

### **19.1502 Applicability.**

The procedures in this subpart apply to all *Federal agencies* that employ one or more *contracting officers*.

### **19.1503 Status.**

(a) Status as an EDWOSB *concern* or WOSB *concern* eligible under the WOSB Program is determined by the Small Business Administration in accordance with [13 CFR part 127](#).

(b) For a WOSB that seeks a WOSB or EDWOSB set-aside or sole-source contract, the *contracting officer shall verify that the offeror—*

(1) Is *registered in the System for Award Management (SAM)*; and

(2) Is designated as a certified EDWOSB or WOSB *concern* in SAM (see 19.1505(d) for set aside procedures). Pending applications for certification are only in the Dynamic Small Business Search

(DSBS) at [https://web.sba.gov/pro-net/search/dsp\\_dsbs.cfm](https://web.sba.gov/pro-net/search/dsp_dsbs.cfm).

(c) If there is a decision issued by SBA as a result of a current eligibility examination finding that the *concern* did not qualify as an EDWOSB *concern* or WOSB *concern* eligible under the WOSB Program, the *contracting officer* may terminate the contract, and *shall* not exercise any *option*, or award further task or *delivery orders*. Agencies *shall* not count or include the award toward the small business goals for an EDWOSB *concern* or WOSB *concern* eligible under the WOSB Program and *must* update FPDS from the date of award to reflect the final SBA decision.

(d) A joint venture *may* be considered an EDWOSB *concern* or WOSB *concern* eligible under the WOSB Program if the EDWOSB or WOSB participant is certified in SAM (see section 19.1505(d) for set-aside procedures) and the joint venture meets the requirements of 13 CFR 127.506.

### **19.1504 Exclusions.**

This subpart does not apply to-

(a) Requirements that an 8(a) contractor is currently performing under the 8(a) program or that SBA has accepted for performance under the authority of the 8(a) program, unless SBA has consented to release the requirements from the 8(a) program;

(b) Requirements that can be satisfied through award to mandatory Government sources (see section 8.002);

(c) Orders under indefinite-delivery contracts (see subpart 16.5). (But see 16.505(b)(2)(i)(F) for discretionary set-asides of orders); or

(d) Orders against Federal Supply Schedules (see subpart 8.4). (But see 8.405-5 for discretionary set-asides of orders.)

### **19.1505 Set-aside procedures.**

(a) The *contracting officer*-

(1) *Shall* comply with 19.203 before deciding to set aside an *acquisition* under the WOSB Program;

(2)

(i) *May* set aside *acquisitions* exceeding the *micro-purchase threshold* for competition restricted to EDWOSB *concerns* when the *acquisition* is assigned a NAICS code in which SBA has determined that WOSB *concerns* are underrepresented in Federal *procurement*; or

(ii) Is assigned a NAICS code in which SBA has determined that WOSB *concerns* are substantially underrepresented in Federal *procurement*, as specified on SBA's Web site at <http://www.sba.gov/WOSB>.

(b) For requirements in NAICS codes designated by SBA as underrepresented, a *contracting officer*

may restrict competition to EDWOSB *concerns* if the *contracting officer* has a reasonable expectation based on *market research* that-

(1) Two or more EDWOSB *concerns* will submit *offers* for the contract and;

(2) Contract award will be made at a fair and reasonable price.

(c) A *contracting officer* may restrict competition to WOSB *concerns* eligible under the WOSB Program (including EDWOSB *concerns*), for requirements in NAICS codes designated by SBA as substantially underrepresented if there is a reasonable expectation based on *market research* that-

(1) Two or more WOSB *concerns* eligible under the WOSB Program (including EDWOSB *concerns*), will submit *offers* and;

(2) Contract award *may* be made at a fair and reasonable price.

(d) An EDWOSB or WOSB *concern* may submit an *offer* under an EDWOSB or WOSB set-aside when the *offeror*—

(1) Qualifies as a small business *concern* under the size standard corresponding to the NAICS code assigned to the contract; and

(2)

(i) For an EDWOSB set-aside, is certified pursuant to [13 CFR 127.300](#) as an EDWOSB or has a pending application for EDWOSB certification in the DSBS (see [13 CFR 127.504\(a\)](#)); or

(ii) For a WOSB set-aside, is certified pursuant to [13 CFR 127.300](#) as an EDWOSB or WOSB, or has a pending application for EDWOSB or WOSB certification in the DSBS (see [13 CFR 127.504\(a\)](#)).

(e) The *contracting officer* shall verify that *offers* received are eligible for consideration for award by checking SAM to see if the EDWOSB or WOSB *concern* is designated as a certified *concern* or checking DSBS for a pending application for certification.

(1) If the *offeror* is designated as certified in SAM or has a pending application for certification in DSBS, proceed with the *offer* evaluation.

(2) Unless the *offeror* is designated as certified in SAM or has a pending application for certification in DSBS, the *offer* is not eligible for award and *shall* be removed from consideration.

(f) Prior to award, the *contracting officer* shall verify the apparently successful *offeror* is certified in SAM, or has a pending application for certification in DSBS. If the apparently successful *offeror*'s EDWOSB or WOSB certification is pending in DSBS, the *contracting officer* shall notify SBA's Director/Government Contracting by email at [WOSBpendingcertification@sba.gov](mailto:WOSBpendingcertification@sba.gov), and request SBA's status determination. The *contracting officer* shall provide SBA with the *offeror*'s name, *unique entity identifier*, type of set-aside, NAICS code, and *solicitation* number.

(1) Within 15 calendar days from the date of the *contracting officer*'s notification, SBA will make a determination regarding the *offeror*'s status as an EDWOSB or WOSB eligible under the WOSB program.

(2) If the *contracting officer* does not receive a determination from SBA within 15 calendar days, the *contracting officer* at their discretion, *may* provide SBA additional time to make a determination, or

may proceed with award to the next highest evaluated *offeror*.

(3) The *contracting officer shall* not make award to an *offeror* who is not a certified EDWOSB or WOSB *concern* eligible under the WOSB program.

(g) The *contracting officer may* make an award, if only one acceptable *offer* is received from a qualified EDWOSB *concern* or WOSB *concern* eligible under the WOSB Program.

(h) If no acceptable *offers* are received from an EDWOSB *concern* or WOSB *concern* eligible under the WOSB Program, the set-aside *shall* be withdrawn and the requirement, if still valid, *must* be considered for set aside in accordance with [19.203](#) and subpart [19.5](#).

(i) The SBA *procurement* center representative (PCR) *may* recommend use of the WOSB Program. If the *contracting officer* rejects a recommendation by SBA's PCR—

(1) The *contracting officer shall* notify the PCR as soon as practicable;

(2) SBA *shall* notify the *contracting officer* of its intent to appeal the *contracting officer's* decision no later than five business days after receiving notice of the *contracting officer's* decision;

(3) The *contracting officer shall* suspend further action regarding the *procurement* until the *head of the agency* issues a written decision on the appeal, unless the *head of the agency* makes a written determination that urgent and compelling circumstances which significantly affect the interests of the *United States* compel award of the contract;

(4) Within 15 business days of SBA's notification to the *head of the contracting activity*, SBA *shall* file a formal appeal to the *head of the agency*, or the appeal will be determined withdrawn; and

(5) The *head of the agency*, or designee, *shall* specify *in writing* the reasons for a denial of an appeal brought under this section.

### **19.1506 Women-Owned Small Business Program sole-source awards.**

(a) A *contracting officer shall* consider a contract award to an EDWOSB *concern* on a sole-source basis (see [6.302-5\(b\)\(7\)](#)) before considering small business set-asides (see [19.203](#) and [subpart 19.5](#)) provided none of the exclusions at [19.1504](#) apply and-

(1) The *acquisition* is assigned a NAICS code in which SBA has determined that WOSB *concerns* are underrepresented in Federal *procurement*;

(2) The *contracting officer* does not have a reasonable expectation that *offers* would be received from two or more EDWOSB *concerns*; and

(3) The conditions in paragraph (c) of this section exist.

(b) A *contracting officer shall* consider a contract award to a WOSB *concern* (including EDWOSB *concerns*) eligible under the WOSB Program on a sole-source basis (see [6.302-5\(b\)\(7\)](#)) before considering small business set-asides (see [19.203](#) and [subpart 19.5](#)) provided none of the exclusions at [19.1504](#) apply and-

(1) The *acquisition* is assigned a NAICS code in which SBA has determined that WOSB *concerns* are substantially underrepresented in Federal *procurement*;

(2) The *contracting officer* does not have a reasonable expectation that *offers* would be received from two or more WOSB *concerns* (including EDWOSB *concerns*); and

(3) The conditions in paragraph (c) of this section exist.

(c)

(1) The anticipated award price of the contract, including *options*, will not exceed-

(i) \$7 million for a requirement within the NAICS codes for manufacturing; or

(ii) \$4.5 million for a requirement within any other NAICS codes.

(2) The EDWOSB *concern* or WOSB *concern* has been determined to be a responsible contractor with respect to performance.

(3) The award can be made at a fair and reasonable price.

(d) A *contracting officer* shall only award a sole-source contract to a *concern* that has been certified pursuant to [13 CFR 127.300](#) as an EDWOSB or WOSB eligible under the WOSB program. *Contracting officers* shall not request a status determination from SBA on pending applications for certification for EDWOSB or WOSB sole-source awards.

(e) The SBA has the right to appeal the *contracting officer's* decision not to make a sole-source award to either an EDWOSB *concern* or WOSB *concern* eligible under the WOSB program.

## **19.1507 [Reserved]**

## **19.1508 Contract clauses.**

(a) The *contracting officer* shall insert the clause at [52.219-29](#), Notice of Set-Aside for, or Sole-Source Award to, Economically Disadvantaged Women-owned Small Business Concerns, in *solicitations* and contracts for *acquisitions* that are set aside or awarded on a sole-source basis to, EDWOSB *concerns* under [19.1505\(b\)](#) or [19.1506\(a\)](#). This includes *multiple-award contracts* when orders *may* be set aside for EDWOSB *concerns* as described in [8.405-5](#) and [16.505\(b\)\(2\)\(i\)\(F\)](#) or when orders *may* be issued directly to one EDWOSB contractor in accordance with [19.504\(c\)\(1\)\(ii\)](#).

(b) The *contracting officer* shall insert the clause at [52.219-30](#), Notice of Set-Aside for, or Sole-Source Award to, Women-Owned Small Business Concerns Eligible Under the Women-Owned Small Business Program, in *solicitations* and contracts for *acquisitions* that are set aside or awarded on a sole-source basis to WOSB *concerns* under [19.1505\(c\)](#) or [19.1506\(b\)](#). This includes *multiple-award contracts* when orders *may* be set aside for WOSB *concerns* eligible under the WOSB Program as described in [8.405-5](#) and [16.505\(b\)\(2\)\(i\)\(F\)](#) or when orders *may* be issued directly to one WOSB contractor in accordance with [19.504\(c\)\(1\)\(ii\)](#).

(c) For use of clause [52.219-14](#), Limitations on Subcontracting, see the prescription at [19.507\(e\)](#).

(d) For use of clause [52.219-33](#), Nonmanufacturer Rule, see the prescription at [19.507\(h\)](#).