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# Small Business Lunch and Learn January 6, 2016

## Greg McMullin





# Small Business Lunch and Learn

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- Presentation Purpose
- This presentation provides January 2016 references for a business professional to obtain current guidance regarding Small Business and Federal Government Contracting topics.



## Sources

- Nagle, James F.; **History of Government Contracting**. 2nd Edition. The George Washington University Law School.
- SBA.GOV Our History, The U.S. Small Business Administration.  
<https://www.sba.gov/about-sba/what-we-do/history>
- [www.SBA.gov](http://www.SBA.gov)
- [8\(a\) business Development/ Small Disadvantaged Business Status](#)
- <https://www.law.cornell.edu/cfr/text/13/part-124> --
- North American Industry Classification System. NAICS Codes;  
<http://www.census.gov/eos/www/naics/>
- Federal Acquisition Regulation (FAR)



# Agenda/Overview

- Overview
- Historical Events prior to 1950
- Congressional Acts (1930's)
- Creation of Small Business Administration
- Seven Significant Small Business'
- Steps to Selling to the Government
  - NAICS, Business Assistance etc.



# Small Business Concern Definition

## FAR 2.101

- “Small business concern” means a concern, including its affiliates, that is **independently owned and operated**,
- not dominant in the field of operation in which it is bidding on Government contracts, and qualified as a small business under the criteria and size standards in **13 CFR part 121** (see FAR [19.102](#)).
- Such a concern is “**NOT dominant in its field of operation**” when it does **not** exercise a controlling or major influence on a national basis
- Factors to consider include volume of business, number of employees, financial resources, competitive status or position, ownership or control of materials, processes, patents, license agreements, facilities, sales territory, and nature of business activity. (See 15 U.S.C. 632.)
- Predominantly under 500 employees,



# Why Small Businesses are important

- Small businesses make up:
- **99.7 percent of U.S. employer firms,**
- 64 percent of net **new private-sector jobs,**
- 49.2 percent of private-sector employment,
- 42.9 percent of private-sector payroll,
- 46 percent of private-sector output,
- 43 percent of high-tech employment,
- **98 percent of firms exporting goods,** and
- 33 percent of exporting value.



# Corporate Income Tax Rates –2015-2016

Taxable income over	Not over	Tax rate
\$ 0	\$50,000	15%
50,000	75,000	25%
75,000	100,000	34%
100,000	335,000	39%
335,000	10,000,000	34%
10,000,000	15,000,000	35%
15,000,000	18,333,333	38%
18,333,333	.....	35%



# Small Business Historical Background

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- World War I 1912-1917
  - Large Companies refused to deliver.
  - Cost Plus Percentage of Costs were necessary, - the government had to pay in order to get supplies
- The Depression of Oct 29, 1929 →
- The Dust Bowl of 1934 -1940
- World War II 1939 -1945



## Socio Economic goals

- Davis-Bacon Act of March 3, 1931
  - Payment of prevailing wage rates on public construction projects
- Buy American Act of March 3, 1933
  - Preference for Domestic supplies added 25% to foreign bids
- Copeland Anti-Kickback Act of June 13, 1934
  - Criminal Sanctions on anyone demanding a kickback



## Great Depression

### Reconstruction Finance Corporation 1932

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- The Reconstruction Finance Corporation (RFC), created by President **Herbert Hoover** in 1932 to alleviate the financial crisis of the Great Depression, was SBA's "grandparent"; The RFC was basically a **federal lending program** for all **businesses** hurt by the Depression, large and small. It was adopted as the personal project of Hoover's successor, President Franklin D. Roosevelt, and was staffed by some of Roosevelt's most capable and dedicated workers.



# Socio Economic Goals

- The Miller Act of August 24, 1935
  - Required contractors performing construction, alteration, or repair of any **public building or public works** to post a performance bond to protect the government.
  - It also provided a payment bond to protect people who furnished labor and material for such arrangements.
- Walsh–Healy Act of June 30, 1936
  - Required working hours and minimum wage rates for contracts involving the **manufacture** of materials, supplies article, and equipment in any amount exceeding \$10,000
  - History of Government Contracting (p 361)



## Truman Committee World War II (SEP 1939-1945)

- June 1, 1940 - April 30, 1941 the military awarded \$3 BILLION in contracts to firms whose executives were working in Washington as “dollar-a-year” men. The companies still paid these men, who were far more **influential** than lobbyists.
- “it has been the policy of the Army and Navy to let contracts to big contractors and to big business because it is the easy way out” (History of Government Contracting P 407)
- From June 1940 through September 1944, the government let military contracts worth \$175 Billion. Two thirds of this amount went to the top 100 corporations. Half of the total \$ went to the top thirty corporations!



# Smaller War Plants Corporation (SWPC)

1942

- To help small business participate in **war production** and give them **financial viability**, Congress created the **Smaller War Plants Corporation (SWPC)** in 1942.
- The SWPC provided **direct loans** to private entrepreneurs, encouraged large financial institutions to **make credit available** to small enterprises, and advocated small business interests to **federal procurement agencies** and big businesses.
- The SWPC was dissolved after the war, and its lending and contract powers were handed over to the Reconstruction Finance Corporation (RFC).



## Conception of SBA

- At this time, (1942) the Office of Small Business (OSB) in the **Department of Commerce** also assumed some responsibilities that would later become **characteristic duties of SBA**.
- Its services were **primarily educational**.
- Believing that a lack of information and expertise was the main cause of small business failure, the OSB produced brochures and conducted management counseling for individual entrepreneurs.



## Korean War 1947

### Small Defense Plants Administration

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- Congress created another wartime organization to handle small business concerns during the Korean War, this time called the **Small Defense Plants Administration (SDPA)**.
- Its functions were similar to those of the SWPC, except that ultimate lending authority was retained by the RFC.
- The SDPA **certified** small businesses to the RFC when it had determined the businesses to be **competent to perform the work of government contracts**.



# Small Business Act (SBA) of 1953

- In the Small Business Act of **July 30, 1953**, Congress created the Small Business Administration (SBA), whose function was to "**aid, counsel, assist and protect, insofar as is possible, the interests of small business concerns.**";
- The charter also stipulated that SBA **would ensure small businesses** a "**fair proportion**"; of **government contracts** and sales of surplus property.
- By 1954, SBA already was making **direct business loans** and **guaranteeing bank loans** to small businesses, as well as making loans to victims of **natural disasters**, **working to get government procurement contracts for small businesses** and helping business owners with management and technical assistance and business training.



# Investment Company Act of 1958

- The Investment Company Act of 1958 established the **Small Business Investment Company (SBIC)** Program, under which **SBA licensed, regulated** and helped provide funds for privately owned and operated venture capital investment firms.
- They specialized in providing **long-term** debt and equity investments to **high-risk small businesses**.
- Its creation was the result of a Federal Reserve study that discovered, that **small businesses could not get the credit they needed** to keep pace with **technological advancement**.



# Equal Opportunity Loan Program

- In 1964, **SBA** began to attack poverty through the **Equal Opportunity Loan (EOL)** Program. The EOL Program relaxed the credit and collateral requirements for applicants living below the poverty level in an effort to **encourage new businesses** that had been unable to attract financial backing, but were nevertheless **sound commercial initiatives**.



# SBA's Role in Government Contracting

<https://www.sba.gov/content/sbas-role-government-contracting>

The U.S. government is the **largest single purchaser** of goods and services in the world, awarding approximately \$500 billion in contracts every year.

- The Small Business Administration's Office of Government Contracting & Business Development works with federal agencies to award at least **23 percent** of all **prime government contract** dollars to small businesses and help federal agencies meet specific statutory goals for [small disadvantaged businesses](#), [women-owned small businesses \(WOSB\)](#), [service-disabled veteran-owned small businesses \(SDVOSB\)](#), and small businesses that are located in [historically underutilized business zones \(HUBZone\)](#).
- In addition, SBA's [8\(a\) Business Development Program](#) assists eligible **socially and economically disadvantaged individuals** in developing and growing their businesses through one-on-one counseling, training workshops, matchmaking opportunities with federal buyers, and other management and technical guidance.



# Small Businesses and Federal Contracting

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1 & 2 (FAR 19.8) Small Disadvantaged Business includes 8(a) sub element.

3 (FAR 19.13) HUB Zone Small Businesses (replaced Labor Surplus Areas)

4 & 5 (FAR 19.14) Veteran Small Business + Service Disabled Veteran Owned Small business

6 & 7 (FAR 19.15) Women Owned Small Business includes Economically Disadvantaged Women Owned Small Business



# Small Business Programs

**SDB**

**8(a)**

**WOSB**

**ED-  
WOSB**

**HUBZone**

**VOSB**

**SDVOSB**



# 13 CFR Code of Federal Regulations References

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## 13-CFR -121 Small Business Size regulations

CFR 121-108 A Part time employee counts the same as a full time employee.

## 13 CFR -124-8(a) Business Development Small Disadvantaged Business Size Determinations.

## 13 CFR -125 Government Contracting Programs

125.8-13 Service-Disabled Veteran-Owned Small Business

## 13 CFR -126 HUB Zone Program

126-200 35% of employees must reside in (a) Hubzone

## 13 CFR -127 Woman-Owned Small Business Program

## 13 CFR -130 Small Business Development Centers.



# Small Disadvantaged Business

## 13 CFR-124.101-112

- The NET WORTH of the individual claiming **economic** disadvantage must be less than **\$750,000** considering exclusions set forth in CFR 124.104 ( c)(2)
- To self-represent as an SDB, register the business in the [System for Award Management](#). However, you and your firm must still understand the SBA eligibility criteria for SDBs. Generally, this means that:
- The firm must be 51% or more **owned and controlled** by one or more disadvantaged persons.
- Must provide a written explanation of their social disadvantage as part of the application.
- The disadvantaged person or persons must be socially **disadvantaged** and **economically disadvantaged**.
- The firm must be small, according to SBA's [size standards](#)
- While SBA must still certify all firms that participate in the [8\(a\) Business Development Program](#), the requirements to be approved are **different** and **more rigorous** than SDB only status.



## Small Disadvantaged Business / 8(a) Designated Groups

- **Black Americans; Hispanic Americans; Native Americans** (American Indians, Eskimos, Aleuts, or Native Hawaiians); **Asian Pacific Americans** (persons with origins from Burma, Thailand, Malaysia, Indonesia, Singapore, Brunei, Japan, China (including Hong Kong), Taiwan, Laos, Cambodia (Kampuchea), Vietnam, Korea, The Philippines, U.S. Trust Territory of the Pacific Islands (Republic of Palau), Republic of the Marshall Islands, Federated States of Micronesia, the Commonwealth of the Northern Mariana Islands, Guam, Samoa, Macao, Fiji, Tonga, Kiribati, Tuvalu, or Nauru); **Subcontinent Asian Americans** (persons with origins from India, Pakistan, Bangladesh, Sri Lanka, Bhutan, the Maldives Islands or Nepal (29))



## 8(a) 13 CFR 124.104

### Who is economically disadvantaged?

- Net Worth < **\$250,000** (2) *Net worth*. For initial 8(a) BD eligibility, the net worth of an individual claiming disadvantage **must be less than \$250,000**. For continued 8(a) BD eligibility after admission to the program, **net worth must be less than \$750,000**. In determining such net worth, SBA will exclude the ownership interest in the applicant or Participant and **the equity in the primary personal residence**.
- ALL Assets, (4) *Fair market value of all assets*. An individual will generally **NOT** be considered economically disadvantaged **if the fair market value** of all his or her assets (including his or her primary residence and the value of the applicant/Participant firm) **exceeds \$4 million** for an applicant concern and **\$6 million** for continued 8(a) BD eligibility. The only assets excluded from this determination are funds excluded under paragraph (c)(2)(ii) of this section as being invested in a qualified IRA account.



# Historically Underutilized Business Zone FAR Subpart 19.13

- Status in accordance with 13 CFR Part 126
- 19.1305 HUBZONE Set-Aside Procedures
  - Set-Aside for Hub-Zone Firms above Micro-Purchase
  - Must have two or more competing firms
- 19.1306 HUB-Zone Sole Source Awards
  - Only one prospective offeror/bidder
  - Anticipate price will NOT exceed
    - \$7 million for manufacturing NAICS code
    - \$4 Million of all other NAICS codes



- **13 CFR parts 125.8 - 125.13**
- **19.1405 SDVOSB SET-ASIDE Procedures**
  - Exceed micro-purchase threshold for competition (\$3,000)
  - Two or more SDVOSB competing
- **19.1406 SOLE SOURCE Awards**
  - Lack of competition from SDVOSB
  - Anticipated award price will NOT exceed
    - \$6.5 million for manufacturing NAICS codes
    - \$4.0 million for any other NAICS codes



# Woman-Owned Small Business (WOSB) Program FAR Subpart 19.15

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- 13 CFR part 127
- WOSB Women-Owned Small Business
- EDWOSB (Economically Disadvantaged Women-Owned Small Business)
- Based on NAICS codes found at <https://www.sba.gov/content/women-owned-small-business-program>
- FAR 19.1505 Set Aside Procedure
- Over the Micro-Purchase Threshold



## EDWOSB and WOSB

- Both WOSB and EDWOSB have Stringent Certification Requirements.
  - Must be accomplished by a third party certifier
- EDWOSB 19.1505(b) Underrepresented
- WOSB 19.1505 (c ) Substantially Underrepresented
  - Two or more eligible WOSB concerns
- There is a sole source option 19.1505 (d)
- Maximum contract dollar amount removed.



# Steps to Selling to the Federal Government

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- Keep YOUR Day JOB
  - Network, Learn, Grow, \$AVE
- Business Plan – Research
  - What is YOUR Expertise?
- Business Bank Account
- Business License – Business NAME
- DUNS Number (**Business' Number SSAN**)
  - Data Universal Numbering System
  - Dun and Bradstreet Number



# Learn **THE** Buyer's Language

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- May have to sell to Cities, Counties, School Districts, Authorities etc. to obtain PAST Performance (FAR 15.304)
- BID, QUOTE, PROPOSAL
- **Small Business Development Center (SBDC)**
- Service Corps of Retired Executives
- Procurement Technical Assistance Centers (PTACs)  
[www.aptac.us.org](http://www.aptac.us.org)



# Look at Business Opportunities BEWARE of Bad ACTORS

- [www.fedbizopps.gov](http://www.fedbizopps.gov) - [Search-Find-Contracts-FBO.GOV](http://Search-Find-Contracts-FBO.GOV)
- **Ad** [www.uscontractorregistration.com/FBO](http://www.uscontractorregistration.com/FBO)
  - This **ad** is based on your current search terms.
- Visit Google's Why This Ad page to learn more or opt out.
- FBO Professional Bid Assistance
- 65k+ Satisfied Clients · Contract Alerts
  - [Search Contracts](#)
  - [Contact us](#)
  - [Contractor Registration](#)
  - [Recent News](#)



# The REAL Opportunities

- [FedBizOpps](http://www.fedbizopps.gov/) *www.fedbizopps.gov/*
- **Official** federal government procurement opportunities allowing contractors to retrieve services posted by government buyers.
- Rephrased, this is where one looks to see what Supplies, Services, Construction, Research and Development the Government is seeking.



# Register in System for Award Management

## [Federal System for Award ...](#)

You will need a new SAM User Account ... The System for ...

## [SAM Status Tracker](#)

The SAM Status Tracker will show you the current status of the ...

## [Search Records](#)

You can search these records and new ones created in SAM. If you ...

## [SAM User Guide](#)

2 User Management in SAM .... \*\*This user guide currently ...

## [Create User Account](#)

You will also need to create a SAM User Account if you are a ...

## [Announcement](#)

SAM implementation. The General Services Administration (GSA

## [System for Award Management](#)

•[Similar](#)

**SAM.gov** The **System for Award Management (SAM)** is the Official U.S. Government system that consolidated the capabilities of CCR/FedReg, ORCA, and EPLS.





# Product Service Codes

- Federal Procurement Data System August 2011 Edition
  - All are 4-position codes
- Research and Development Codes All begin with letter (A)
- Service Codes letters B- Z Alpha – Numerical
- Product Codes are all Numerical four digits
  
- [https://www.acquisition.gov/sites/default/files/page\\_file\\_uploads/PS%20Manual%20-%20Final%20-%202011%20August%202011\\_0.pdf](https://www.acquisition.gov/sites/default/files/page_file_uploads/PS%20Manual%20-%20Final%20-%202011%20August%202011_0.pdf)



## Product and Service codes

- *Code Structure:* The PSCs will continue to be 4-position codes, with products having a digit in the first position and services and R&D having an **alpha character** in the first position.
- *Product Codes:* The product codes are managed by the DLA Logistics Information Service and have been incorporated into the manual based on the list of Federal Supply Classes (FSC)



# Summary Slide

Overview

Historical Events prior to 1950

Congressional Acts (1930's)

Creation of Small Business

Administration

Seven Significant Small

Business'

Steps to Selling to the

Government

NAICS, Business Assistance

etc.



STOP

- 
- Back-up slides follow



## How many small businesses are there?

In **2010** there were 18,500 firms with 500 employees or more.

Compare this with **27.9 million** small businesses,

Over three-quarters of small businesses were non-employers; (20,925,000)

--this number has trended up over the past decade, while employers have been relatively flat .



## What is small businesses' share of net new jobs?

- Small firms accounted for 64 percent of the net new jobs created between 1993 and 2011
  - (or 11.8 million of the 18.5 million net new jobs).
- Since the latest recession, from mid-2009 to 2011, small firms, led by the larger ones in the category (20-499 employees), accounted for
- **67 percent of the net new jobs.**
- *Source: Bureau of Labor Statistics, BED. For the latest employment statistics, see Advocacy's quarterly reports, [www.sba.gov/advocacy/10871](http://www.sba.gov/advocacy/10871).*



How can small businesses' share of net new jobs be larger than their share of employment, yet their share of employment remains steady?

- As firms grow, they change employment size classes. So as small firms grow, their growth counts toward small firm job gains; but if they pass the 500-employee mark, their employment is classified as large firm employment.



## Which businesses create more jobs— startups or existing businesses?

- In the last two decades about **60 percent** of the **private** sector's net new jobs have been created by **existing establishments** and about **40 percent** from the churn of startups minus closures. While firm births account for many new jobs, job losses from firm closures are equally important in accounting for net effects to employment levels.
- *Source: Bureau of Labor Statistics, BED.*



# Seven Stages of R & D Codes

- 1. Basic Research
- 2. Applied Research and Exploratory Development
- 3. Advanced Development
- 4. Engineering Development
- 5. Operational Systems Development
- 6. Management and Support
- 7. Commercialization



# Technology Readiness Levels

- <http://acqnotes.com/acqnote/tasks/technology-readiness-level>



# Technology Readiness Levels

<http://acqnotes.com/acqnote/tasks/technology-readiness-level>

Level	Definition	DoD DAG Description
1	Basic principles observed and reported	Lowest level of technology readiness. Scientific research begins to be translated into applied research and development. Examples might include paper studies of a technology's basic properties.
2	Technology concept and/or application formulated.	Invention begins. Once basic principles are observed, practical applications can be invented. Applications are speculative and there may be no proof or detailed analysis to support the assumptions. Examples are limited to analytic studies.
3	Analytical and experimental critical function and/or characteristic proof of concept.	Active research and development is initiated. This includes analytical studies and laboratory studies to physically validate analytical predictions of separate elements of the technology. Examples include components that are not yet integrated or representative.
4	Component and/or breadboard validation in laboratory environment.	Basic technological components are integrated to establish that they will work together. This is relatively "low fidelity" compared to the eventual system. Examples include integration of "ad hoc" hardware in the laboratory.



# Technology Readiness Levels

<http://acqnotes.com/acqnote/tasks/technology-readiness-level>

Level	Definition	DoD DAG Description
5	Component and/or breadboard validation in relevant environment.	Fidelity of breadboard technology increases significantly. The basic technological components are integrated with reasonably realistic supporting elements so it can be tested in a simulated environment.
6	System/subsystem model or prototype demonstration in a relevant environment.	Representative model or prototype system, which is well beyond that of TRL 5, is tested in a relevant environment. Represents a major step up in a technology's demonstrated readiness.
7	System prototype demonstration in an operational environment.	Prototype near, or at, planned operational system. Represents a major step up from TRL 6, requiring demonstration of an actual system prototype in an operational environment such as an aircraft, vehicle, or space.



# Technology Readiness Levels

<http://acqnotes.com/acqnote/tasks/technology-readiness-level>

Level	Definition	DoD DAG Description
7	System prototype demonstration in an operational environment.	Prototype near, or at, planned operational system. Represents a major step up from TRL 6, requiring demonstration of an actual system prototype in an operational environment such as an aircraft, vehicle, or space.
8	Actual system completed and qualified through test and demonstration.	Technology has been proven to work in its final form and under expected conditions. In almost all cases, this TRL represents the end of true system development. Examples include developmental test and evaluation of the system in its intended weapon system to determine if it meets design specifications.
9	Actual system proven through successful mission operations.	Actual application of the technology in its final form and under mission conditions, such as those encountered in operational test and evaluation. Examples include using the system under operational mission conditions.