Pricing Matters: Pricing Issues for Small Business Programs

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The various small business programs reference pricing matters in varying ways. This article will bring together the guidance regarding pricing for these programs.

Preliminary Notes:

A. A term that occurs frequently in the guidance for small business programs is fair market price. This means a price based on reasonable costs under normal competitive conditions, not on lowest possible cost. (FAR 19.001)
B. Pricing issues for small business programs are frequently connected with set-aside procedures and sole source awards.
C. There is no order of preference among the 8(a) Program, HUBZone Program, Service-Disabled Veteran-Owned Small Business Procurement Program, or the Women-Owned Small Business Program. (FAR 19.203)

Small Business Programs:

1. Small Disadvantaged Business (SBD) Concerns
   Previously, these concerns could receive a price evaluation adjustment of up to 10 percent in set-aside situations. This is no longer the case. However, the contracting officer may provide monetary incentives to encourage the development of increased subcontracting opportunities. (FAR 19.705-1)

2. 8(a) Program
   Per FAR 19.806, the contracting officer shall price the 8(a) contract in accordance with FAR 15.4. If required by FAR 15.4, the SBA shall obtain certified cost or pricing data from the 8(a) contractor. The threshold for the submission of certified cost or pricing data is currently $700,000 (FAR 15.403-4). There are exceptions to certified cost or pricing data requirements, such as when the contracting officer determines that prices agreed upon are based on adequate price competition or on prices set by law or regulation, or when a commercial item is being acquired. (FAR 15.403-1 (b))

3. Historically Underutilized Business Zone (HUBZone) Program
   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. The price evaluation preference shall be used in acquisitions conducted using full and open competition. (FAR 19.1307)
4. **Women-Owned Small Business (WOSB)**
   A contracting office may restrict competition to WOSB and Economically Disadvantaged Women-Owned Small Business (EDWOSB) concerns for requirements in North American Industry Classification System (NAICS) codes designated by the Small Business Administration (SBA) as substantially underrepresented. There must be a reasonable expectation based on market research that two or more WOSB/EDWOSB concerns will submit offers and the contract award may be made at a fair and reasonable price. (FAR 19.1505)

5. **Service-Disabled Veteran-Owned Small Business (SDVOSB) Procurement Program**
   The contracting officer may set aside an acquisition for competition restricted to SDVOSB concerns provided the contracting officer has a reasonable expectation that 1) two or more SDVOSB concerns will submit offers and 2) the award will be made at a fair market price. (FAR 19.1405)

   A SDVOSB may receive a sole source award provided 1) the anticipated award price will not exceed $6 million for a requirement within the NAICS codes for manufacturing or $3.5 million for a requirement within any other NAICS code; 2) the requirement is not currently being performed by an 8(a) participant; 3) the SDVOSB is a reasonable contractor with respect to performance; and 4) the award is made at a fair and reasonable price. (FAR 19.1406)

6. **Historically Black College or University (HBCU) and Minority Institution (MI)**
   As is the case for Small Disadvantaged Business concerns noted in #1 above, the price evaluation adjustment for these institutions has been eliminated from the FAR. However, also as noted above, the contracting officer may provide monetary incentives to encourage subcontracting opportunities.

7. **Indian Incentive and Native Hawaiian Program**
   Prime contractors and small businesses may receive a 5 percent incentive payment on the estimated cost, target cost, or fixed price included in a subcontract exceeding $500,000 made to an Indian/Native Hawaiian small business. (DFAR 252.226.7001)

8. **Department of Transportation (DOT) Disadvantaged Business Enterprise (DBE) Program**
   A statutory provision requires DOT to ensure that at least 10 percent of the funds authorized for the highway and transit financial assistance programs be expended with DBEs. (49 CFR Part 26.41). DBE certification requires that a small business be owned and controlled by socially and economically disadvantaged individuals.

**Takeaway:** It is helpful for both PTAC clients and PTAC counselors to be aware of the particulars of the guidance regarding pricing for small business programs.
As always, I invite your questions and comments. I can be contacted by telephone at 713-752-8450 or by e-mail at rmarta@uh.edu.

Click here to read Ron’s entire series of Pricing Matters.