



# News Release

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## SBA Small Disadvantaged Business Certification (SDB) Questions and Answers

### **Q. Why did the SBA suspend the receipt of applications for the SDB program?**

A. Since FY 1999, SBA, on behalf of federal procuring agencies, certified Small Disadvantaged Businesses (SDBs), which were then entitled to receive price evaluation adjustments of up to 10 percent for federal procurement. The SDB certification process is meant to ensure that only eligible firms received the SDB benefit (price evaluation adjustment).

On December 9, 2004, statutory authority to use the SDB price evaluation adjustment ended for the majority of federal procuring agencies. Authority to use the adjustments was still permitted to three agencies, the Department of Defense, NASA, and the Coast Guard, which used it under separate authority running through 2009.

Over the last six years, DOD, the largest procuring federal agency which represents approximately 68 percent of federal procurement, met its SDB procurement goal without the use of the price evaluation adjustment tool.

Without the SDB price evaluation adjustment for prime contracts, there is no direct benefit to the SDB firm, and the SDB designation is only used for statistical purposes to determine government-wide SDB goal achievement.

Federal procuring agencies have expressed concerns of having firms go through the time and expense of the SDB certification process when there is little-to-no benefit. In addition, the agencies have met the government-wide SDB procurement goal through the use of the 8(a) program and award of contracts to SDBs through small business set-asides and full and open competition contracts.

From Fiscal Year 1999 to Fiscal Year 2007, contract dollars going to SDBs increased from \$6.2 billion to more than \$25 billion. The percent of federal procurement dollars going to SDBs doubled during the same period from 3.3 percent to approximately 6.6 percent. These accomplishments were achieved with limited-to-no use of the price evaluation adjustments. Procuring agencies have been notified that effective October 1, 2008, the SBA will no longer charge them for SDB certification and small businesses will be allowed to self-certify.

**Q. How will this affect small businesses certified in the SDB program?**

A. The SDB certification process is time consuming and costly for small businesses and offers little-to-no benefit. Since the federal government has exceeded the statutory five percent SDB goal with limited-to-no use of the SDB price evaluation adjustment, which was put in place to benefit SDB firms, it is unreasonable for the federal government to require these firms to incur the unnecessary expense of filing detailed applications for SDB certification when the price evaluation adjustment is no longer used. In some cases, small businesses were paying third parties thousands of dollars to prepare their SDB application.

**Q. How will the suspension of the SDB program affect the 8(a) program?**

A. The suspension of the SDB applications will have no effect on SBA's 8(a) Business Development program. In fact, small businesses that participate in the 8(a) program are also small disadvantaged businesses.

**Q. Will small businesses be able to keep their small disadvantaged status and how will they be certified?**

A. Yes. Small businesses will continue to self certify as a small disadvantaged business.

**Q. Will there continue to be an SDB federal contracting goal?**

A. Yes, there will continue to be an SDB federal contracting goal. The federal government has either met or exceeded the five percent goal for the past seven years.

**Q. What is the SBA doing to alert the public and the small business community of the changes?**

A. The SBA published a notice in the Federal Register on September 23, 2008 to alert the small business community of the suspension of applications for the Small Disadvantaged Business Program. An Interim Final Rule will be published soon that will revise the 13 CFR 124 to reflect the authority to allow small businesses to self certify their SDB status, if they meet the criteria established by the SBA.

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