

# APTAC Body of Knowledge Competency Guide

## C. Basics of Contracting with Government Entities

### C.17 Socio-Economic Programs

#### Description

##### Part A: Background and Description

After passing the Small Business Act of 1958, Congress expanded the scope of the act with additional legislation that established socio-economic programs for special categories of small businesses. The purpose of the socio-economic programs is to help ensure that a fair proportion of the total purchases of property or services for the government is awarded to small businesses. The major advantage of the small business socio-economic programs is the contract set asides for the special categories of small businesses. Federal agencies have goals to meet with respect to the small business socio-economic categories. The Small Business Administration measures how well agencies meet their goals with its annual Procurement Scorecards.

([www.sba.gov/content/small-business-procurement-goaling-scorecards](http://www.sba.gov/content/small-business-procurement-goaling-scorecards)).

The Socio-Economic Small Business Programs include the following:

#### 1. Small Business

- Independently owned and operated
- Not dominant in the field in which it is bidding
- Qualified as a small business under the SBA criteria and size standards

#### 2. Small Disadvantaged Business

- A Small Disadvantaged Business (SDB) is a small business that is at least 51% owned, operated, and managed on a daily basis by one or more [socially disadvantaged](#) or [economically disadvantaged](#) U.S. citizens.

#### 3. Section 8(a) Firm

- Section 8(a) of the Small Business Act establishes SBA's business development program for socially and economically disadvantaged small businesses.
- A Section 8(a) firm must:
  - a. Be a small business
  - b. Be unconditionally owned and controlled by one or more socially and [economically disadvantaged individuals](#) who are of good character and citizens of the United States
  - c. Demonstrate potential for success
  - d. Be [certified by the SBA](#)
- The 8(a) program is administered by the SBA, which certifies and monitors all firms in the program. Eligibility is for a nine-year program that includes a [developmental stage](#) followed by a [transitional stage](#).

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#### 4. HUBZone Small Business

- The Small Business Administration Re-Authorization Act of 1997, established the HUBZone Program.
- The purpose of the HUBZone Program is to provide Federal contracting assistance for qualified small businesses that are located in historically underutilized business zones ([HUBZones](#)).
- The HUBZone Act established a 3% statutory percentage goal for the HUBZone Program and a 23% government-wide goal at the prime contract level.
- SBA maintains a list of qualified HUBZone small business concerns.
- To be qualified as a HUBZone small business, a business must:
  - a. Be a small business
  - b. Be owned and controlled only by U.S. citizens, a Community Development Corporation, or an Indian tribe
  - c. Have its principal office located in a HUBZone
  - d. Have at least 35% of its employees reside in any HUBZone for at least 180 days or be currently registered voters in that area

#### 5. Woman-Owned Small Business

- A women-owned small business (WOSB) is a business in which at least 51% is owned by one or more women and whose management and daily operations are controlled by one or more women.
- The Small Business Administration Re-Authorization Act of 2000 established set-aside authority to assist agencies in meeting the 5% Federal Government-wide WOSB statutory percentage goal.
- The WOSB Program became effective on April 1, 2011.
- Over 300 6-digit North American Industry classification System (NAICS) codes are eligible for Federal contracting under the WOSB Program.

#### 6. Veteran-Owned Small Business

- The Veteran Entrepreneurship and Small Business Development Act of 1999 set a 3% government-wide statutory percentage goal for veteran-owned small businesses (VOSBs).
- A veteran-owned small business is one in which at least 51% is owned by one or more veterans and whose management and daily business operations are controlled by one or more veterans.

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7. Service-Disabled Veteran-owned Small Business
  - A SDVSOB is one in which at least 51% is owned by one or more service-disabled veterans. The management and daily business operations of SDVSOBs must be controlled by one or more service disabled veterans.
  - The purpose of the SDVSOB Program is to provide Federal contracting assistance to service-disabled veteran-owned small businesses (SDVSOBs).
  - Public Law 108–183 permits the awarding of contracts on the basis of competition restricted to SDVSOBs and the awarding of a sole source contract with a \$5 million cap for manufacturing or \$3 million otherwise.
  
8. Historically Black Colleges or Universities/Minority Institutions
  - Historically Black Colleges or Universities and Minority Institutions ([HBCUs/MIs](#)) are institutions founded primarily for the education of minorities, although their charters are not exclusionary.
  - The Department of Defense encourages its agencies to develop programs that will enable these institutions to increase the number of minority graduates in the physical sciences, mathematics, and engineering.
  - It is the policy of the government to promote participation of historically black colleges or universities and minority institutions in Federal procurement.
  - Federal agencies are required to report to the President and to Congress on approaches and progress made to expand the role of HBCU/MI in acquisition programs.
  
9. Indian Incentive Program
  - In 1974, Congress authorized the payment of a 5% [incentive](#) on the total amount of a contract that is subcontracted to an [Indian organization](#) or [Indian-owned economic enterprise](#). ([Indian Financing Act \(25 U.S.C. § 1544\)](#))
  - The FY 2003 Authorization Act amended the program to include lower tier contractors who subcontract to Indian-owned firms.
  - The Department of Defense Appropriation Act for FY 2003:
    - a. Expanded the program to permit incentive payments for subcontracts awarded to [Native Hawaiian small business concerns](#) and
    - b. Added contracts and subcontracts for commercial items and established a threshold of \$500,000 for contracts and subcontracts under which incentives may be paid.
  - The FY 2009 Appropriations Act made \$15 Million available for incentive payments to prime contractors and to small businesses that use Indian-owned businesses or enterprises as subcontractors at any tier.

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#### 10. Mentor-Protégé Program

The Pilot [Mentor-Protege](#) Program was enacted in 1990. The program seeks to encourage major Department of Defense (DoD) prime contractors (mentors) to develop the technical and business capabilities of eligible protégés (small business personnel/subcontractors). The goal is to help protégés compete successfully for prime and subcontract awards. Successful Mentor-Protégé agreements provide a winning relationship for the protégé, the mentor, and the DoD.

#### 11. Department of Transportation (DOT) Disadvantaged Business Enterprise (DBE) Program

- Program provides a vehicle for increasing the participation by Minority Business Enterprises (MBE) in state and local procurement.
- State and local transportation agencies that receive DOT financial assistance are required to establish goals for the participation of DBES.
- Each DOT-assisted State and local transportation agency is required to establish annual DBE goals, review the scopes of anticipated large prime contracts throughout the year, and establish contract-specific DBE subcontracting goals.
- Three major DOT operating administrations are involved in the DBE program. They are the Federal Highway Administration, the Federal Aviation Administration, and the Federal Transit Administration.

#### Part B: References

1. Federal Acquisition Regulation  
Parts 19, 20, 21, 22, 23, 24, 25, and 26.
2. Defense Acquisition University  
FAC031 Introduction to Small Business  
FAC032 Small Business: a Requirements Approach  
FAC001 HUBZone Empowerment Contracting Program – Certification and Eligibility  
FAC001 HUBZone Empowerment Contracting Program – Contractual Assistance  
FAC001 HUBZone Empowerment Contracting Program - Historical Overview  
CLC009 Service-Disabled Veteran-Owned  
FAC001 HUBZone Empowerment Contracting Program – Protests and Appeals  
FAC010 Small Business Innovation Research / Small Business Technology Transfer (SBIR/STTR)  
FAC007 Certificate of Competency  
FAC009 Set Asides for Small Business