

# Small Disadvantaged Business Procurement: Reform of Affirmative Action in Federal Procurement

## OFFICE OF MANAGEMENT AND BUDGET

### Office of Federal Procurement Policy

#### Small Disadvantaged Business Procurement: Reform of Affirmative Action in Federal Procurement

**AGENCY:** Office of Federal Procurement Policy (OFPP)

**ACTION:** Notice of Determination Concerning the Price Evaluation Adjustment Program and the Small Disadvantaged Business (SDB) Participation Program

**SUMMARY:** The Federal Acquisition Regulation (FAR), 48 CFR Subparts 19.11 and 19.12 contain procurement mechanisms applicable to the SDB reform program. FAR Subpart 19.11 permits eligible SDBs to receive price evaluation adjustments in Federal procurement programs. FAR Subpart 19.12 provides for an SDB participation program that evaluates the extent of participation of SDB concerns in contract performance. The FAR provides further that the Department of Commerce will determine on an annual basis the price evaluation adjustment by standard industrial classification (SIC) major groups for the price evaluation adjustment program and the authorized SIC major groups for the SDB participation program.

The Commerce Department, in the attached memorandum, determines that for fiscal year 2000 the price evaluation adjustment and the authorized SIC major groups are the same as used in fiscal year 1999. The OFPP notice of June 30, 1998 (63 Fed. Reg. 35714) includes the Commerce determination for fiscal year 1999 of the price evaluation adjustment by SIC major groups for the price evaluation adjustment program. Subsequently, OFPP published on December 29, 1998 (63 Fed. Reg. 71724) the Commerce determination of authorized SIC major groups for the SDB participation program which were the same SIC major groups applicable to the price evaluation adjustment program.

**EFFECTIVE DATE:** September 30, 1999

**FOR FURTHER INFORMATION CONTACT:** Michael Gerich, Deputy Associate Administrator, Office of Federal Procurement Policy, Telephone, 202-395-3501. For information on the Commerce

determination, contact Jeffrey Mayer, Director of Policy Development, Economics and Statistics Administration, U.S. Department of Commerce, Telephone 202-482-1728.

## **SUPPLEMENTARY INFORMATION**

### PROCUREMENT MECHANISMS AND FACTORS

FAR Subparts 19.11 and 19.12 contain procurement mechanisms applicable to the SDB reform program. FAR Subpart 19.11 provides for the use of a price evaluation adjustment for eligible SDBs. FAR Subpart 19.12 provides for an SDB participation program that consists of two mechanisms: (1) an evaluation factor or subfactor for evaluating the extent of participation of SDBs in performance of the contract; and (2) an incentive subcontracting program for exceeding SDB participation targets. OFPP gives notice that the attached memorandum from the Commerce Department determines that for fiscal year 2000 the price evaluation adjustment and the authorized SIC major groups are the same as used in fiscal year 1999. (See 63 Fed. Reg. 35714 (June 30, 1998) for the price evaluation adjustment and the listing of the eligible SIC major groups applicable in fiscal year 1999.) This determination affects solicitations issued on or after October 1, 1999.

**Deidre A. Lee**

*Administrator*

Attachment

---

## MEMORANDUM FOR OFFICE OF FEDERAL PROCUREMENT POLICY

FROM: Jeffrey L. Mayer  
Director of Policy Development

SUBJECT: Determination on the Price Evaluation Adjustment for Small Disadvantaged Business Concerns and the Small Disadvantaged Business Participation Program for FY 2000

Pursuant to Federal Acquisition Regulation paragraph 19.201(b) and subparts 19.11 and 19.12, transmitted herein is the Department of Commerce (DOC) determination on the Price Evaluation

Adjustments for Small Disadvantaged Business Concerns and the Small Disadvantaged Business Participation Program for use in Federal procurements in FY 2000.

DOC transmitted a Notice of Determination Concerning Price Evaluation Adjustments to the Office of Federal Procurement Policy, which was published in the *Federal Register* on June 30, 1998 (see 63 Fed. Reg. 35714 (1998)). The Notice identified the standard industrial classification (SIC) major industry groups in which offers by small disadvantaged businesses on certain federal prime contracts would be eligible for ten percent price evaluation adjustments in FY 1999. In addition, DOC transmitted a Notice of Determination Concerning the Small Disadvantaged Business Participation Program to the Office of Federal Procurement Policy, which was published in the *Federal Register* on December 29, 1998 (see 63 Fed. Reg. 71724 (1998)). In both cases, the determinations were based on DOC's benchmark and utilization estimates derived from FY 1996 data.

In order to develop new benchmarks and utilization estimates for its FY 2001 determination, DOC plans to collect and analyze FY 1999 data along the lines of the methodology outlined in the June 30, 1998 Notice. The determination based on the resulting estimates will be published in June 2000 and will take effect on October 1, 2000. Based on its assessment of the consistency in recent federal procurement patterns, DOC proposes to develop new benchmarks and utilization estimates every three years. DOC will monitor procurement annually to see if benchmarks and utilization estimates should be updated more frequently than every three years.

DOC's determination of industries eligible for both the Price Evaluation Adjustment for Small Disadvantaged Business Concerns and the Small Disadvantaged Business Participation Program for FY 2000 is the same as its determination for FY 1999 and is reproduced in the table below.

**Industries Eligible for a Ten Percent Price Evaluation Adjustment and the Small Disadvantaged Business Participation Program**

<b>SIC Major Industry Group</b>	<b>Eligibility (*)</b>	<b>Description of Industry Grouping</b>
<b>AGRICULTURE, FORESTRY, AND FISHING</b>		
01		Agricultural production -- crops
02		Agricultural production -- livestock
07		Agricultural services
08		Forestry
09		Fishing, hunting, & trapping
<b>MINING</b>		
10	*	Metal mining
12	*	Coal mining
13	*	Oil & gas extraction
14	*	Extraction of nonmetallic minerals, ex. Fuels
<b>CONSTRUCTION</b>		
15		Building construction -- general contractors
15	*	<i>East North Central</i>
15	*	<i>East South Central</i>
15	*	<i>Middle Atlantic</i>
15		<i>Mountain</i>
15		<i>New England</i>
15		<i>Pacific</i>
15		<i>South Atlantic</i>
15		<i>West North Central</i>
15	*	<i>West South Central</i>
16		Heavy construction other than buildings -- contractors
16		<i>East North Central</i>
16	*	<i>East South Central</i>
16		<i>Middle Atlantic</i>
16		<i>Mountain</i>
16		<i>New England</i>
16		<i>Pacific</i>
16		<i>South Atlantic</i>
16		<i>West North Central</i>
16	*	<i>West South Central</i>
17		Construction -- special trade contractors
17		<i>East North Central</i>
17		<i>East South Central</i>
17		<i>Middle Atlantic</i>
17		<i>Mountain</i>
17	*	<i>New England</i>
17		<i>Pacific</i>

Recommendations specific to major industry groups (and combinations thereof) apply nation-wide for all industry groupings except the major construction industry groups (SIC Major Industry Groups 15, 16, and 17). Determinations in these three major groups apply regionally rather than nationally. Regional definitions are based on the nine multi-state Divisions used by the Bureau of the Census when it reports certain sub-national data. DOC augmented the Bureau's basic definitions for the Divisions by including Guam in the Pacific Region and Puerto Rico and the Virgin Islands in the South Atlantic Region. A complete list of the states and outlying areas that comprise each of the nine regions used by DOC follows:

*East North Central:* Illinois, Indiana, Michigan, Ohio, Wisconsin

*East South Central:* Alabama, Kentucky, Mississippi, Tennessee

*Middle Atlantic:* New Jersey, New York, Pennsylvania

*Mountain:* Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming

*New England:* Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

*Pacific:* Alaska, California, Guam, Hawaii, Oregon, Washington

*South Atlantic:* Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, Puerto Rico, South Carolina, Virgin Islands, Virginia, West Virginia

*West North Central:* Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

*West South Central:* Arkansas, Louisiana, Oklahoma, Texas