



U.S. Small Business  
Administration



# Small Business Subcontracting Plans



# Subcontracting Plans (Pre-Award)



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If the plan doesn't  
work, change the plan,  
not the goal.

Eleanor Roosevelt

# Some Basics

## ➤ FAR 19.7

- “Other than Small” Business
  - Includes Non-profits & universities
- Contract or modification over \$750,000 (\$1.5m for construction)

## ➤ FAR 52.219-9

- Gives “maximum practicable opportunity”

# Subcontracting Plan Not Required?

- **Small Businesses**
- **No Subcontracting Opportunities Exist**
  - Approved one level above the Contracting Officer
  - Placed document in contract file
- **Performed Exclusively Outside the United States**

# Who reviews plans?

## ➤ Individual & Master Plans

- Contracting Officer
- Small Business Specialist (SBS)
- Procurement Center Representative (PCR) – Advisory comments only
- FAR 19.705-4(d)(7) - Obtain advice and recommendations from the SBA procurement center representative (or, if a procurement center representative is not assigned, see [19.402\(a\)](#)) and the agency small business specialist.

## ➤ Commercial Subcontracting Plan

- First Approval – CO for first federal contract and SBS & PCR
- Subsequent Annual Approvals – CO responsible for the uncompleted contract with the latest completion date
- Contractor provides a copy of the approved plan to each CO responsible for an ongoing contract that is subject to the plan

## ➤ DOD Comprehensive Subcontracting Plans (n/a to Commerce)

- Negotiate with DCMA annually

# FAR 19.704(a) and 52.219-9

**The Offeror's plan shall include the following:**

Separate goals, expressed in terms of total dollars subcontracted, and as a percentage of total planned subcontracting dollars, for the use of small business, veteran-owned small business, service-disabled veteran-owned small business, HUBZone small business, small disadvantaged business, and women-owned small business concerns as subcontractors.

- Option years are broken out separately
- On Individual Plans only, a Contracting Officer can also establish goals as a percentage of total contract value



# Goals – Let's Talk

- **Are they acceptable?**
  - Minimum goals/floors
  - Statutory goals
  - Agency subcontracting goals
  - Realistic goals –
    - What's realistic?

# Subcontracting Plan Goals

*“Subcontracting goals should be set at a level that the parties reasonably expect can result from the offeror expending good faith efforts to use SBs, VOSBs, SDVOSBs, HZs, SDBs, and WOSBs to the maximum practicable extent.” (FAR 19.705-4(c))*

# Realistic Goals

- Reasonable level
- Shouldn't low ball goals
- Shouldn't negotiate upward
- No standard
- Should be attainable
- Consider circumstances

# Test Yourself–Subcontracting Categories

Small Business
SDB
8(a)
WOSB
EDWOSB
HUBZone
VOSB
SDVOSB
Other

# Correct Categories

Small Business

SDB

WOSB

HUBZone

VOSB

SDVOSB

# Can You Spot the Mistakes?

<b>Total Subcontracting</b>	<b>\$100,000</b>	
<b>Small Business</b>	\$30,000	30.0%
<b>SDB</b>	\$16,000	16.0%
<b>WOSB</b>	\$ 4,000	4.0%
<b>HUBZone</b>	\$ 5,000	5.0%
<b>VOSB</b>	\$ -0-	0.0%
<b>SDVOSB</b>	\$ 5,000	5.0%

# Can You Spot the Mistakes?

Total Subcontracting	\$100,000	
Small Business	\$30,000	30.0%
<b>SDB</b>	<b>\$16,000</b>	<b>16.0%</b>
<b>WOSB</b>	<b>\$ 4,000</b>	<b>4.0%</b>
<b>HUBZone</b>	<b>\$ 5,000</b>	<b>5.0%</b>
<b>VOSB</b>	<b>\$ -0-</b>	<b>0.0%</b>
<b>SDVOSB</b>	<b>\$ 5,000</b>	<b>5.0%</b>

**Socio economic \$ and % add up to the small business \$ and %**

# Can You Spot the Mistakes?

Total Subcontracting	\$100,000	100.0%
Small Business	\$30,000	30.0%
SDB	\$16,000	16.0%
WOSB	\$ 4,000	4.0%
HUBZone	\$ 5,000	5.0%
<b>VOSB</b>	<b>\$ -0-</b>	<b>0.0%</b>
<b>SDVOSB</b>	<b>\$ 5,000</b>	<b>5.0%</b>

**All SDVOSBs are also VOSBs. VOSB \$ and % should be higher than SDVOSB**



# Can You Spot the Mistakes?

Total Subcontracting	\$100,000	100.0%
Small Business	\$30,000	30.0%
SDB	\$16,000	16.0%
WOSB	\$ 4,000	4.0%
HUBZone	\$ 5,000	5.0%
<b>VOSB</b>	<b>\$ -0-</b>	<b>0.0%</b>
SDVOSB	\$ 5,000	5.0%

**Zero is not a goal**

# Example - Subcontracting & Total \$800,000 Contract Value (Figures rounded off)

		Subcontracted % Value	Total % Value
\$270,000	Large	67.5%	33.7%
\$130,000	Small	32.5%	16.2%
\$400,000	Total	100.0%	49.9%
\$100,000	SDB	25%	12.5%
\$ 75,000	WOSB	18.7%	9.4%
\$ 10,000	HUBZone	2.5%	1.2%
\$ 15,000	VOSB	3.7%	1.9%
\$ 13,000	SDVOSB	3.2%	1.6%

# What is a Subcontract?

*“Any agreement (other than one involving an employer-employee relationship) entered into by a Federal Government prime Contractor or subcontractor calling for supplies or services required for performance of the contract or subcontract.”*

# FAR 19.704(a) and 52.219-9

- Total \$ to be subcontracted
- Types of supplies/services to be subcontracted
  - **What is excluded from subcontracting?** - 13 CFR 125.3(a)(1)(iii):
    - Internal generated costs such as salaries and wages
    - Employee insurance; other employee benefits
    - Payments for petty cash
    - Depreciation, interest
    - Income taxes, property taxes
    - Lease payments
    - Bank fees, fines, claims and dues
    - OEM relationships during warranty periods
    - Utilities such as electricity, water, sewer and other services purchased from a municipality
    - Philanthropic contributions

# FAR 19.704(a) and 52.219-9

- Method used to develop goals
- Method used to identify potential sources
- Indirect costs included/not included
- Name of individual administering the plan
- Efforts to ensure small businesses have equitable opportunity to compete
- Assurances that required clauses and provisions will flow down to subs
- Assurances that reporting will be done
- Recordkeeping procedures
- **Assurances that a good faith effort will be made to utilize small businesses used to prepare proposal/bid**
- **Assurances that an explanation will be made to the contracting officer if those small businesses are not used**
- **Assurances that a small business will not be prohibited from discussing payment with the contracting officer**
- **Assurances that the small business will be paid on time.**

# Questions??

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Program

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