

# E-MBE.net Newsletter

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## The Difference Between 8(a) and SDB Programs

By Richard J. Hernández, CPCM

**INTRODUCTION.** Section 8(a) of the Small Business Act of 1953 created the Federal government program for developing minority-owned businesses. Public Law 100-656 in 1989 created the Small Disadvantaged Business (SDB) program. Because the programs are similar, there have been some misunderstandings about how they work. The purpose of this newsletter is to provide a feature-by-feature comparison of the programs to make them easier to understand. Using this information, minority-owned businesses can decide which program is best for them.

**CERTIFICATION BENEFITS.** There are five key reasons for a business to become 8(a) and/or SDB certified by the U.S. Small Business Administration (SBA). They are to:

- Take advantage of the annual \$240 billion in federal government contracts.
- Take advantage of being able to get no-bid (sole source) contracts up to \$3 million for services and \$5 million for manufacturing.
- Take advantage of the Small Business Administration resources such as:
  - Workshops
  - Networking Forums
  - Executive Training
  - Management Assistance
  - Technical Assistance
- Take advantage of being assigned a SBA Contract Specialist and a Business Opportunity Specialist.
- Take advantage of the opportunities to grow your business to the next level by expanding into new and broader markets.

**COMPARISONS.** The Federal Acquisition Regulation (FAR) provides a detailed discussion of the 8(a) and SDB programs. The table below is provided as a summary of their key features.

Type Certification	8(a)	SDB
Certification Purpose	Focus is on socially and economically disadvantaged businesses	Focus is on socially and economically disadvantaged businesses
Burden of Proof	Black, Hispanic, Asian-American and Native Americans are presumed to be socially and economically disadvantaged. Others not in these categories must submit a claim for social and economic disadvantage.	Black, Hispanic, Asian-American and Native Americans are presumed to be socially and economically disadvantaged. Others not in these categories must submit a claim for social and economic disadvantage.

**COMPARISONS**  
(Continued)

<b>Type Certification</b>	<b>8(a)</b>	<b>SDB</b>
Length	9 years	12 years
Certifying Agency	SBA	SBA
Set-Aside Eligibility	Yes	No
SBA Business Opportunity Specialist Support	Yes	No
Owner Net Worth (Personal Net Worth)	Must be less than \$250,000 (upon program entry)  Can reach up to \$750,000 by end of program	Must be less than \$750,000
Non-Competitive Procurements (Set-Aside)	Yes – If under \$3 million for services and \$5 million manufacturing contracts	No
Bid Preference	No	Get 10% bid preference on all federal government contracts
Size Standard	Must qualify as a small business in their NAICS code area	Must qualify as a small business in their NAICS code area
Subcontracting	Subcontracting plan not required	Subcontracting plan not required
History	Program started in 1953	Program started in 1989
Federal Acquisition Regulation (FAR)	FAR 19.8	FAR 19.9

**SUPPLIER DIVERSITY IMPLICATIONS.** The 8(a) and SDB programs offer an opportunity for M/WBE firms to get long-term assistance to grow their businesses. However, these programs are largely underused. Consider there are only about 7,000 8(a) certified firms compared to 3.2 million minority-owned businesses nationwide. M/WBEs should consider diversifying their business base to take advantage of these programs to seek 8(a) set-aside contracts. Government contracts offer an excellent hedge when the commercial economy is in a downturn.

You can order a copy of the book: “**8(a) Survival Guide**” for \$20.00 (plus \$5.00 shipping) by calling at **630-440-9191**. The 100-page book is a how-to guide for M/WBEs to get 8(a) certified. The book’s authors are Henry W. Washington and Richard J. Hernandez, CPCM.

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