**6820-EP**

**DEPARTMENT OF DEFENSE**

**GENERAL SERVICES ADMINISTRATION**

**NATIONAL AERONAUTICS AND SPACE ADMINISTRATION**

**48 CFR Parts 2, 6, 9, 18, 19, and 52**

**[FAC 2025-02; FAR Case 2022-009, Item II; Docket No. FAR-2022-0009; Sequence No. 1]**

**RIN 9000-AO46**

Federal Acquisition Regulation: Certification of Service-Disabled Veteran-Owned Small Businesses

**AGENCY:** Department of Defense (DoD), General Services Administration (GSA), and National Aeronautics and Space Administration (NASA).

**ACTION:** Final rule.

**SUMMARY:** DoD, GSA, and NASA have adopted as final, without change, an interim rule amending the Federal Acquisition Regulation (FAR) to implement the final rules published by the Small Business Administration to implement sections of the National Defense Authorization Acts for Fiscal Years 2021 and 2022.

**DATES:**  Effective **[INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER].**

**FOR FURTHER INFORMATION CONTACT**:  For clarification of content, contact Ms. Carrie Moore, Procurement Analyst, at 571-300-5917, or by email at *carrie.moore@gsa.gov*. For information pertaining to status or publication schedules contact the Regulatory Secretariat Division at 202-501-4755 or *GSARegSec@gsa.gov*. Please cite FAC 2025-02, FAR Case 2022-009.

**SUPPLEMENTARY INFORMATION:**

# I. Background

DoD, GSA, and NASA published an interim rule at 89 FR 13950 on February 23, 2024, to implement regulatory changes made by the Small Business Administration (SBA) in its final rules published on November 29, 2022, at 87 FR 73400 and at 88 FR 42592 on July 3, 2023, to implement section 862 of the William M. (Mac) Thornberry National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2021 (Pub. L. 116-283; 15 U.S.C. 657f). This final rule also partially implements section 863 of the NDAA for FY 2022 (Pub. L. 117-81; 15 U.S.C. 634(i)), as implemented by SBA in its final rule published on April 27, 2023, at 88 FR 26164. For further details please see the interim rule. Three respondents submitted comments on the interim rule.

# II. Discussion and Analysis

The Civilian Agency Acquisition Council and the Defense Acquisition Regulations Council (the Councils) reviewed the public comments in the development of the final rule. A discussion of the comments and the changes made to the rule as a result of those comments are provided as follows:

*A. Summary of significant changes:*

There are no significant changes from the interim rule.

*B. Analysis of public comments:*

1. Exceptions to implementation.

*Comment:* One respondent recommended the grace period for certification be extended to allow businesses additional time to comply with the new requirements.

*Response:* This rule implements section 862 of the NDAA for FY 2021. Section 862 provides for a one-year grace period after the transfer date of January 1, 2023, for service-disabled veteran-owned small businesses (SDVOSBs) to submit an application for certification to SBA.

Therefore, since the grace period is statutory, it cannot be extended by the Councils.

*Comment:* One respondent recommended that SBA expand its outreach and support services to ensure that all interested businesses are able to successfully navigate the certification process.

*Response:* To implement SDVOSB certification, SBA established a website at *https://veterans.certify.sba.gov*. This website streamlines and facilitates the SDVOSB certification process and provides links for SDVOSBs to obtain assistance, including both online and telephonic support.

2. Outside the scope of the rule.

*Comment:* One respondent submitted a comment that is unrelated to this case.

*Response:* This comment is outside of the scope of this rule.

*Comment:* One respondent took exception to the certification requirements for SDVOSBs and took exception to the three-year certification period for SDVOSBs, indicating that it is too long and may result in fraud.

*Response:* This rule implements regulatory changes made by the SBA in its final rules published on November 29, 2022, at 87 FR 73400 and at 88 FR 42592 on July 3, 2023. SBA regulations regarding the Veteran Small Business Certification Program, including SDVOSB certification requirements, are addressed at 13 CFR part 128. SBA’s regulations regarding recertification requirements are implemented at 13 CFR 128.306. This rule simply implements SBA’s regulations; therefore, this comment is outside the scope of this rule.

# III. Applicability to Contracts at or Below the Simplified Acquisition Threshold (SAT), for Commercial Products (Including Commercially Available Off-the-Shelf (COTS) Items), or for Commercial Services

This rule amends the following provisions and clauses at FAR: 52.212-3, Offeror Representations and Certifications—Commercial Products and Commercial Services; 52.212-5, Contract Terms and Conditions Required To Implement Statutes or Executive Orders—Commercial Products and Commercial Services; 52.213-4, Terms and Conditions-Simplified Acquisitions (Other Than Commercial Products and Commercial Services); 52.219-1, Small Business Program Representations; 52.219-8, Utilization of Small Business Concerns; 52.219-27, Notice of Set-Aside for, or Sole-Source Award to, Service-Disabled Veteran-Owned Small Business (SDVOSB) Concerns Eligible Under the SDVOSB Program; 52.219-28, Post-Award Small Business Program Rerepresentation; and 52.244-6, Subcontracts for Commercial Products and Commercial Services. These provisions and clauses continue to apply to acquisitions at or below the SAT and to acquisitions for commercial products, including COTS items, and commercial services.

This rule applies section 862 of the NDAA for FY 2021 and section 863 of the NDAA for FY 2022, as implemented by this rule, to contracts at or below the SAT and to commercial services and commercial products, including COTS items.

A. Applicability to Contracts at or Below the Simplified Acquisition Threshold

41 U.S.C. 1905 governs the applicability of laws to acquisitions at or below the SAT. Section 1905 generally limits the applicability of new laws when agencies are making acquisitions at or below the SAT, but provides that such acquisitions will not be exempt from a provision of law under certain circumstances, including when the Federal Acquisition Regulatory Council (FAR Council) makes a written determination and finding that it would not be in the best interest of the Federal Government to exempt contracts and subcontracts in amounts not greater than the SAT from the provision of law. The FAR Council has made a determination to apply this statute to acquisitions at or below the SAT.

B. Applicability to Contracts for the Acquisition of Commercial Products and Commercial Services, Including Commercially Available Off-The-Shelf (COTS) Items

41 U.S.C. 1906 governs the applicability of laws to contracts for the acquisition of commercial products and commercial services, and is intended to limit the applicability of laws to contracts for the acquisition of commercial products and commercial services. Section 1906 provides that if the FAR Council makes a written determination that it is not in the best interest of the Federal Government to exempt commercial contracts, the provision of law will apply to contracts for the acquisition of commercial products and commercial services.

41 U.S.C. 1907 states that acquisitions of COTS items will be exempt from certain provisions of law unless the Administrator for Federal Procurement Policy makes a written determination and finds that it would not be in the best interest of the Federal Government to exempt contracts for the procurement of COTS items.

The FAR Council has made a determination to apply this statute to acquisitions for commercial products and commercial services. The Administrator for Federal Procurement Policy has made a determination to apply this statute to acquisitions for COTS items.

# IV. Expected Impact of the Rule

This rule is expected to impact Government and contractor operations.

As of January 1, 2024, contracting officers are required to check the System for Award Management (SAM) to verify that a concern is designated as an SDVOSB certified by SBA for sole-source or set-aside awards under the SDVOSB Program. If the concern is not designated in SAM as a certified SDVOSB, the contracting officer will be required to check SBA’s Veteran Small Business Certification Program database to determine if the concern submitted an application for certification to SBA on or before December 31, 2023. If a concern submitted an application for certification to SBA on or before December 31, 2023, and represented its status as an SDVOSB concern in SAM, contracting officers may rely on a concern’s representation in SAM.

As of January 1, 2024, a small business concern that pursues a sole-source or set-aside award under the SDVOSB Program is required to be certified by SBA, or the concern must have both submitted a complete application for certification to SBA on or before December 31, 2023, and represented its status as an SDVOSB concern in SAM. A small business concern that submitted a complete application for certification to SBA on or before December 31, 2023, may continue to represent its status as an SDVOSB in SAM until SBA makes its final eligibility determination. This rule will not impact previous participants in the Department of Veterans Affairs (VA) VIP Verification Program as the requirements for the new SBA certification program are nearly identical to those of the VA. The only change that will impact small businesses is the certification requirement for SDVOSB concerns. As indicated in SBA’s final rule, SBA does not anticipate the requirement for SBA certification to significantly impact small business concerns seeking SDVOSB certification. To minimize the potential impact on small businesses, SDVOSB concerns previously certified by the VA are reflected as certified in the SBA Veteran Small Business Certification Program database during the time that remains in the firm’s three-year term of eligibility. To facilitate the transition of those firms already verified by the VA prior to the transfer date that have an eligibility period that expires in the first year of the Program, SBA extended the eligibility of those verified firms for an additional period of one year. The one-year grace period allows concerns that are not yet certified by the SBA to continue to represent their status as an SDVOSB in SAM while preparing their applications for SDVOSB certification. Furthermore, SBA did not change the documentation requirements for certification. Additionally, firms that represent their status in SAM likely have the documentation necessary for certification as that documentation is necessary to be able to represent their status as an SDVOSB in SAM. Therefore, concerns will only have to enter the information already in hand to apply to be included in SBA’s Veteran Small Business Certification Program database.

The public cost associated with obtaining SDVOSB certification is accounted for under SBA’s final rule implementing the certification requirements (87 FR 73400). SBA’s final rule advises concerns that effective January 1, 2024, only a certified SDVOSB or a concern that has submitted a complete application for certification to SBA on or before December 31, 2023, may seek a set-aside or sole-source award under the SDVOSB Program. SBA estimates it will take a concern approximately one hour to complete the application process.

Small business concerns are also required to update SAM within two days of an SBA determination of ineligibility. Small business concerns are already required to update representations in SAM at least annually and ensure that representations are current, accurate, and complete. SBA’s final rule published on April 27, 2023, at 88 FR 26164, advised small business concerns of the requirement to remove their designation from SAM within two days of an SBA decision regarding ineligibility.

Given SBA’s notice to small business concerns, the cost to the public associated with the FAR implementation of SBA’s final rules is de minimis and is limited to the cost of regulatory familiarization.

# V. Executive Orders 12866 and 13563

Executive Orders (E.O.s) 12866 (as amended by E.O. 14094) and 13563 direct agencies to assess the costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). E.O. 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. This is not a significant regulatory action and, therefore, was not subject to review under section 6(b) of E.O. 12866, Regulatory Planning and Review, dated September 30, 1993.

**VI. Congressional Review Act**

Pursuant to the Congressional Review Act, DoD, GSA, and NASA will send this rule to each House of the Congress and to the Comptroller General of the United States. The Office of Information and Regulatory Affairs (OIRA) in the Office of Management and Budget has determined that this rule does not meet the definition in 5 U.S.C. 804(2).

**VII. Regulatory Flexibility Act**

DoD, GSA, and NASA have prepared a Final Regulatory Flexibility Analysis (FRFA) consistent with the Regulatory Flexibility Act, 5 U.S.C. 601-612. The FRFA is summarized as follows:

DoD, GSA, and NASA are adopting, without change, an interim rule published on February 23, 2024 (89 FR 13950), that amended the Federal Acquisition Regulation (FAR) to implement regulatory changes made by the Small Business Administration (SBA) in its final rules published on November 29, 2022, at 87 FR 73400, and on July 3, 2023, at 88 FR 42592, to implement section 862 of the William M. (Mac) Thornberry National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2021 (Pub. L. 116-283; 15 U.S.C. 657f) and to partially implement section 863 of the NDAA for FY 2022 (Pub. L. 117-81; 15 U.S.C. 634(i)), as implemented by SBA in its final rule published April 27, 2023, at 88 FR 26164.

The objective of this rule is to finalize the FAR implementation of SBA’s Governmentwide certification program for SDVOSB concerns, update SDVOSB protest procedures, and to require an SDVOSB concern determined ineligible by SBA to update its status in the System for Award Management (SAM) within two days of the eligibility determination.

There were no significant issues raised by the public comments in response to the initial regulatory flexibility analysis.

This rule impacts small business concerns that seek a sole-source or set-aside award under the SDVOSB Program. Effective January 1, 2024, an SDVOSB concern must be certified as an SDVOSB concern by SBA, or have both represented that it is an SDVOSB concern in SAM and submitted a complete application for certification to SBA on or before December 31, 2023, in order to be eligible for these types of awards. SBA has minimized the impact on SDVOSB concerns by accepting verifications of eligibility already determined by the Department of Veterans Affairs (VA). SBA granted a one-year extension on certification for VA verified firms and by providing firms that represent their status in SAM a one-year grace period to apply for certification. In addition, this rule impacts SDVOSB concerns that SBA determines are not eligible for SDVOSB certification, as these concerns will be ineligible for set-aside and sole-source awards under the SDVOSB Program. A concern determined ineligible for SDVOSB certification, however, may continue to represent its SDVOSB status in SAM and be eligible for set-aside and sole-source awards outside of the SDVOSB Program.

The cost to concerns seeking SDVOSB certification should be de minimis because the eligibility documentation requirements currently exist under the VA’s VIP Verification Program. In addition, the initial application, program examination, and recertification requirement will remain the same under SBA’s management of the program. Firms likely have the documentation required for application, examination, and recertification through the transferred program because either such documentation was already required for certification through the VA’s VIP Verification Program, or such documentation is likely needed for a firm to represent its status as an SDVOSB in SAM. Further, SBA anticipates that the application process should only require one hour of the concern’s time. The cost to concerns to update their status in SAM is de minimis as concerns are already responsible for maintaining their representations in SAM to ensure that they are current, accurate, and complete.

According to SAM, there are 32,284 concerns registered as SDVOSBs. Of the 32,284 SDVOSB concerns registered in SAM, 10,635 are already verified SDVOSBs in VA’s verification program, which leaves 21,649 SDVOSB concerns that represent their socioeconomic status in SAM. Of the 21,649 that represent their socioeconomic status as an SDVOSB in SAM, 181 are veteran-owned small business concerns that are SDVOSB certified in the VA’s certification database. Therefore, there are 21,468 SDVOSBs that represent their status in SAM that are not currently in the VA’s verification program and that may submit an application for certification to SBA. However, the number of SDVOSB concerns that will submit applications for certification is unknown as is the number of potential new SDVOSB entrants; therefore, the number of small business entities impacted by this rule may be greater than or less than the 21,468 SDVOSBs that currently represent their status in SAM.

As of January 1, 2024, this rule requires small business concerns that submit an offer for a set-aside or sole-source requirement under the SDVOSB Program to either be certified by SBA, or have both submitted an application for certification to SBA on or before December 31, 2023, and represented their SDVOSB status in SAM. Concerns found ineligible to be a certified SDVOSB by SBA must update their status in SAM within two days of the eligibility determination. SDVOSB protests will be decided by OHA instead of SBA’s Director of Government Contracting.

SBA implemented a certification and information collection platform that replicates the VA’s Center for Verification and Evaluation currently approved information collection and recordkeeping requirements under OMB Control Number 2900-0675.

There are no known significant alternative approaches to this rule that would accomplish the stated objectives of the applicable statutes and which would minimize any significant economic impact of this interim rule on small entities, as the economic impact is not anticipated to be significant.

Interested parties may obtain a copy of the FRFA from the Regulatory Secretariat Division. The Regulatory Secretariat Division has submitted a copy of the FRFA to the Chief Counsel for Advocacy of the Small Business Administration.

# VIII. Paperwork Reduction Act

This rule does not contain any information collection requirements that require the approval of the Office of Management and Budget under the Paperwork Reduction Act (44 U.S.C. 3501-3521). These changes to the FAR do not impose additional information collection requirements to the associated paperwork burdens previously approved under Office of Management and Budget (OMB) Control Numbers 2900-0675, VETBIZ Vendor Information Pages Verification Program; 9000-0136, Commercial Acquisitions; FAR Sections Affected: 52.212-3(b)(2); 9000-0034, Examination of Records by Comptroller General and Contract Audit: FAR Section(s) Affected: 52.212–5(d), 52.214–26, 52.215–2; and 9000-0163, Small Business Size Rerepresentation; FAR Sections Affected 19.301 and 52.219-28.

**List of Subjects in 48 CFR Parts 2, 6, 9, 18, 19, and 52**

Government procurement.

**William F. Clark,**

*Director,*

*Office of Government-wide*

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*Office of Government-wide Policy.*

**Interim Rule Adopted as Final Without Change**

Accordingly, the interim rule amending 48 CFR parts 2, 6, 9, 18, 19, and 52 which was published in the Federal Register at 89 FR 13950 on February 23, 2024, is adopted as a final rule without change.