

Small Business Runway Extension Act Takes Effect – Good News for Small Business and NSWC Dahlgren Division

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DAHLGREN, Va. – Naval Surface Warfare Center Dahlgren Division (NSWCDD) officials anticipate positive impacts on the command in the wake of a Small Business Administration (SBA) final rule to implement a 2018 act increasing the period of measuring small businesses' annual revenue from three to five years in the contract evaluation process.

The 2018 Small Business Runway Extension Act – which took effect Jan. 6, 2020 – adopts a transition period through Jan. 6, 2022, during which firms may choose between using a three-year averaging period and a five-year averaging period.

"We've been waiting quite a while for this to be implemented, and I believe the change to five years will help attract more small businesses into our portfolio," said Kris Parker, NSWCDD deputy for Small Business, regarding the SBA's new size standard average annual receipts calculation rule that President Donald Trump signed into law on Dec. 17, 2018.

The law reduces the impact of rapid-growth years, which may prematurely eject a small business out of their size standard.

"This change to five years is a logical move, as it helps account for the cyclical nature of contract awards," said Parker. "It should really help increase our potential small business base."

The rule change will benefit most small firms, according to attorneys specializing in procurement law. "Based upon the new size standard calculation, all federal contractors bidding on small business set-aside procurements should reevaluate their size under the new five-year average calculation," advises Taft Stettinius & Hollister. "Firms that are on the cusp of eclipsing the small business status based on the previous three-year average revenue calculation may once again be eligible to certify as small. Overall, this change should allow more firms to qualify as a small business for federal contract procurement purposes, for a longer period of time."

Although Congress passed the Small Business Runway Extension Act, SBA was not compelled to adopt it until their own rule-making process was completed, the Red Team Consulting group stated. "This serves as a reminder that even with statutory changes enacted as federal law, it is always prudent to understand the downstream regulatory processes and agency interpretations from such changes. This ruling is a potential game changer for many firms looking to effectively compete for critical small business set-aside procurements targeted for release in the fiscal year 2020-2021 planning horizon."

Essentially, the final rule carries out the Small Business Runway Extension Act's intent with respect to federal procurement opportunities as expressed in the report accompanying the legislation.

"The committee report states that the bill would reduce the impact on small businesses from rapid growth in some years which would result in spikes in revenue that may prematurely eject a small business out of their small business status," according to the rule's background information section. "The committee report adds that the bill would allow small businesses at every level more time to grow and develop their competitiveness and infrastructure, before entering the open marketplace. The bill, as the committee report states, would also protect federal investment in SBA's small business procurement programs by increasing chances of success in the middle market for newly graduated firms, resulting in enhanced competition against large prime contractors."

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