



SMALL BUSINESS SOCIOECONOMIC PROGRAM

THE HISTORY OF SMALL BUSINESS

It all began with the Small Business Mobilization Act of 1942 which was established when Congress recognized that business concerns operating small plants may not have the “economies of scale” necessary to compete with large plants, and that a price differential might be required to keep such plants mobilized – but only for war efforts.

Following that the Armed Services Procurement Act of 1947 was established when Congress declared the policy that “A fair proportion of total Federal purchases and contracts must be placed with small business concerns.” The intent of Congress was to continue in peacetime the policy which had prompted enactment of the Small Business Mobilization Act in 1942.

Next came the Defense Production Act of 1950 which was accredited to the Korean War which provided emphasis for small business. Congress determined that the preservation of small business mobilization capability was of utmost importance; and then, again, awards could be made at a higher than the lowest possible price.

The Small Business Act of 1953 (Public Laws 83-163 and 85-536) is when Congress created the Small Business Administration (SBA) as an independent agency within the Executive Branch; authorized it to make direct and “guaranteed” loans to small businesses; directed it to provide technical and management assistance to small business concerns; authorized it to enter into contracts with Federal Agencies and then sublet those contracts to minority firms under Section 8(a) of the Act; and directed it to assist small businesses in obtaining government contracts. In addition, the Act directed inclusion of a small business subcontracting clause in all contracts over \$10,000; required Federal Agencies to publicize in the Commerce Business Daily (CBD) all procurements over the small purchase threshold and any others with subcontract potential.

A revision of the Small Business Act of 1978 (Public Law 95-507) redefined minority firms as “Socially and Economically Disadvantaged Small Business Concerns”; required Federal Agencies to establish goals for contracting with small business and explain to Congress when goals were not met; required small and small disadvantaged business subcontracting goals for major contracts awarded to large businesses; reserved all awards under \$25,000 for small business; and required establishment of Agency Offices of Small and Disadvantaged Business Utilization (OSDBU), whose Directors are appointed by the Head of the Agency.

The National Defense Authorization Act of 1987 (Public Law 99-661) established the Small Disadvantaged Business Program and the 5% minority-owned business goal. It also emphasized contracting with historically black colleges and universities and other minority institutions.

Section 7105 of the Federal Acquisition Streamlining Act of 1994 (Public Law 103-355) established a government-wide goal for WOSB concerns of not less than 5% of the total value of all prime contract and subcontract awards for each fiscal year.

The Historically Underutilized Business Zone (HUBZone) Empowerment Contracting Program (Public Law 105-135) included in the Small Business Reauthorization Act of 1997, this program was created to stimulate economic development and create jobs in urban and rural communities by providing contracting preferences to small businesses that are located in HUBZones and that hire employees who live in HUBZones.

The Veteran's Entrepreneurship and Small Business Development Act of 1999 (Public Law 106-50) required that Veteran-Owned Businesses (VOSB) and Service-Disabled Veteran Owned Small Businesses (SDVOSB) must be afforded an equitable opportunity to participate in Government contracts.

The current National Policy (FAR 19.201(a)) states "It is the policy of the Government to provide maximum practicable opportunities in its acquisitions to small business, veteran-owned small business, HUBZ small business, small disadvantaged business, and women-owned small business concerns. Such concerns must also have the maximum practicable opportunity to participate as subcontractors in the contracts awarded by any executive agency, consistent with efficient contract performance. The Small Business Administration (SBA) counsels and assists small business concerns and assists contracting personnel to ensure that a fair proportion of contracts for supplies and services are placed with small business."

The Department of Defense (DoD) Policy states "It is the DoD Policy that a fair proportion of purchases, contracts, subcontracts and other agreements for property and services; and sales of property be place with small businesses, small disadvantaged businesses, women-owned small businesses, historically black colleges and universities and minority institutions, HUBZone small businesses, veteran-owned small businesses and service-disabled veteran-owned small businesses."

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