

Welcome to the 2026 Redstone Edge Conference

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The New Playing Field: Navigating SBA Programs, Size Expansion, Recertification, and DOD's Cost Transparency Push



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- **Background:**

- 20+ years in federal procurement and contract law experience
- Experience with contractor and Government agency perspectives
- Former attorney with MDA, FBI, and Army Contracting Command Headquarters

- **Today:**

- Director, Contracts Outsourcing and Compliance Consulting
- Provide outsource contracts support, support contracts compliance efforts, and legal consulting
- Assist with contract interpretation, drafting, and negotiation
- Assist with regulatory guidance and application



Erin Roberts
Senior Managing
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- **Background:**

- 15+ years in federal procurement and pricing
- Experience with contractor and Government agency perspectives
- Former price/cost analyst with MDA, DCMA, and NASA Headquarters
- Led NASA and DoD evaluation boards totaling \$30B+ in contract award value

- **Today:**

- Senior Managing Consultant in Compliance Consulting
- Supports price and cost analysis, proposal evaluation, and acquisition strategy
- Assists with forward pricing, cost realism, and reasonableness support
- Helps contractors strengthen documentation, pricing support, and audit readiness

Learning Objectives

Navigating the 2026 Small Business Procurement Squeeze

- ✓ **8(a) Program** - Updates to eligibility rules, evaluating who is now eligible for the program
- ✓ **SBA Size Standard Architecture** - Analyze the SBA's consolidation of NAICS codes, evaluation of employee-based minimum floors, and revenue cap shifts. Structure Basis of Estimates (BOEs) utilizing mission-specific labor and WBS-mapping skill
- ✓ **Lifecycle Size Recertification** - Model procurement timelines against the statutory 180-day pre-award transaction window and mathematically audit Mentor-Protégé Joint Venture direct labor allocations to enforce the mandatory 40% protégé workshare floor.
- ✓ **DoW Supplier Cost Transparency** - Institute pre-bid teaming data-substantiation clauses and execute the Sealed Subcontractor Package Protocol to validate lower-tier direct rates and indirect pools while safeguarding supplier proprietary data.
- ✓ **Statutory Workshare and Cost Realism** - Isolate non-labor direct costs (ODCs, travel, materials), document Similarly Situated Entity (SSE) NAICS/SAM validations and execute a Cross-Volume Reconciliation aligning Technical Key Personnel with prime payroll BOEs.

8(a) Program

8(a) Program: Who Qualifies

- **Purpose:** To assist socio and economically disadvantaged companies overcome barriers in federal contracting.
- How does one qualify:
 - Small Business under the SBA size standards.
 - 51% owned and controlled by a socio or economically disadvantaged U.S. Citizen.
- Economically Disadvantage Thresholds (2026)
 - Personal net worth under \$850,000
 - 3-year average adjusted gross income under \$400,000
 - Total assets under \$6.5M

History of the Race-Based Presumption in Eligibility

- In the 1980s, SBA regulation adopted the race-based rebuttable presumption to simplify identifying individuals as “socially disadvantaged.”
- In 2023, that presumption was constitutionally challenged in *Ultima Services Corp. v. U.S. Department of Agriculture*, 683 F. Supp. 3d 745 (E.D. Tenn. 2023).
- In November 2025, Revier filed another case against the SBA’s use of the rebuttable presumption.
- In November 2025, DOJ announced it would no longer defend the presumption. SBA halted applying the presumption.

New Rule Announced

“A Citizen may establish social disadvantage by first showing that during the Citizen's lifetime, a governmental or private entity in the United States, including but not limited to any federal, state or local government, university or corporation, through any action, policy, rule, regulation, or other practice of any of its agencies, subsidiaries, or authorized agents, discriminated or was biased against a clearly definable racial, ethnic, or cultural group of which the Citizen is a member, or favored in any way a racial, ethnic, or cultural group of which the Citizen is not a member. In addition, the Citizen must establish that such discrimination, bias, or favoritism conferred material harm on the Citizen.”

Small Business Size Standard Architecture



What's a NAICS code?

- North American Industry Classification System
 - NAICS code is a classification within the NAICS designed to facilitate the organization and analysis of economic data across various sectors.
 - It organizes companies into companies into industries and allows for statistical data collection and analysis.
 - For government procurements, NAICS codes describe the principal purpose of the acquisition. Identifying the industry sector for the activity.
 - NAICS codes reviewed every 5 years with the next revision scheduled for release in January 2027.

How Are Size Standards Set?

- Under the Small Business Act, 15 U.S.C. 631, it's determined that SBA sets methodology for establishing, reviewing, or adjusting the small business size standards.
- Under 15. U.S.C. 632 (a)(2)(A) of the Act, the SBA administrator sets the small business size standards for federal programs.
- SBA has proposed a new rule for establishing size standards that changes both the methodology and size standards.
- SBA provided 30 comment period for the change that ended September 21, 2026.

What Are The Changes?

- SBA combined NAICS to 4-digit level rather than 6-digit level, consolidating industries grouped together.
- Converting many industry groups and industries from receipt based to employment based.
- Reduced factors for determining small business size standards from seven factors to three factors.
- Added productivity growth adjustment for monetary based size standards

Bidding Against the \$500M "Small" Competitor

- **The Challenge** - A \$20M boutique firm cannot beat a newly minted \$400M entity in an LPTA or commoditized rate competition.
- **The Tactical Pivot** - Mission-Specific Productivity Ratios & BOE Architecture
 - Shift Basis of Estimates (BOEs) away from generic labor categories (e.g., "1 Senior Analyst at 1,880 hours") toward output-driven productivity modeling.
 - Tie your pricing directly to the Technical Volume's Work Breakdown Structure (WBS): demonstrate that because of specialized tooling, automated templates, or named certified personnel, your team accomplishes the SOW in 1,600 hours rather than 1,880.
 - Lower total hours combined with higher skill levels yields a lower total price and lower performance risk, neutralizing their wrap-rate advantage in Best Value Trade-Offs (BVTO).

Bidding Against the \$500M "Small" Competitor

continued

- Defending Rates via Retention & Compensation Substantiation
 - Use verified market data (e.g., ERI, Mercer, real-time payroll) in the Cost Narrative to substantiate that direct salaries match the 50th–75th percentile of the local market.
 - Map fringe benefit pools directly to mission continuity: "Our fringe rate includes funded retention programs that drive our audited 95% retention rate on defense programs."
 - Arm the Source Selection Authority (SSA) with the exact trade-off justification language needed in the Source Selection Decision Document (SSDD) to award to a higher hourly rate based on documented low turnover and transition risk.

Managing DOD's Supplier Transparency Mandate

- **The Subcontractor Tier Squeeze**
 - Pass-through quotes are dead on actions >\$10M. Contracting Officers will issue evaluation notices demanding the underlying cost build-ups, direct labor rates, and indirect pools of tiered subcontractors.
 - If a prime passes through an unverified quote and the sub refuses to provide data, the government can find the proposal incomplete or assign significant cost realism risk.
- **Practical Safeguards**
 - **Update Teaming Agreements:** Add mandatory data-substantiation clauses during capture. Any subcontractor providing > \$1M in value must commit to providing auditable BOEs, certified payroll samples, or verified catalog sales data within 48 hours of an RFP request.
 - **The Sealed Subcontractor Package Protocol:** Solve the proprietary rate standoff. Large subcontractors often refuse to share sensitive direct rates or wrap rates with a small prime. Structure your proposal so the prime volume includes the integrated hours, labor categories, and total price, while the subcontractor delivers their unredacted, proprietary cost build-up directly to the Contracting Officer in a sealed volume.

From Spreadsheets to Reality

- Match Your Price Proposal to Real Accounting Data
 - Bid it like you are going to work it
 - Small contractors must ensure their timekeeping, labor distribution, and indirect rate calculations are consistent and traceable across accounting and estimating software. An inconsistent rate pool discovered during negotiations will compromise your entire proposal cost baseline.

From Spreadsheets to Reality, continued

- DoW Memo
 - The August 18, 2026, DoW memorandum on Supplier Cost and Pricing Transparency creates a direct link between an offeror's pricing spreadsheets and their underlying financial accounting infrastructure.
- The most discussed element of the directive appears in the instructions to the acquisition workforce:

"To reduce industry's regulatory burden and compliance costs, [leadership] will explore an automated solution consistent with commercial best practices. This approach will establish Application Programming Interfaces (APIs) to pull cost information directly from contractors' enterprise resource planning (ERP) or other financial systems."

From Spreadsheets to Reality, continued

- The Practical Disconnect for Small Businesses
 - For large contractors, maintaining formal, audited business systems is routine overhead.
 - For growing small businesses and mid-tier firms, estimating is frequently disconnected from accounting:
 - The pricing team builds proposals in Excel using bottom-up Basis of Estimates (BOEs), target market rates, and projected indirect multipliers.
 - The accounting/finance team manages actuals, timesheets, and historical GL pools inside platforms like Deltek Costpoint, QuickBooks Enterprise, or Unanet.
 - The Audit Readiness Risk
 - If proposed indirect rates escalation cannot be reconciled with actual historical pools in the contractor's business system, the CO will challenge the cost realism of the bid or issue an Evaluation Notice (EN) that can stall the source selection

From Spreadsheets to Reality, continued

- The Fall of the "Excel Silo"
 - Proposal pricing can no longer exist as a theoretical spreadsheet exercise
 - When the government asks for "data other than certified," they frequently ask for historical actuals, provisional billing rate agreements, or general ledger transaction logs to verify that proposed direct and indirect rates are realistic.
- ERP and Estimating System Consistency
 - Small Businesses are typically exempt from DFARS business system criteria but are not exempt from proving an adequate accounting system for cost-reimbursable or T&M contract actions.
 - Indirect pools, labor distribution data, and unallowable cost exclusions (FAR Part 31) must be consistently calculated between the ERP and the proposal pricing model.

From Spreadsheets to Reality, continued

- The Data Pull Warning
 - Government has indicated an expectation of direct insight into contractor actuals
 - COs are being instructed to look past Cost Summaries and inspect the back up cost data supporting the proposed figures
 - With an eventual link: through Government connected API to your Deltek or Unanet
 - Technical, Price/Cost, and Accounting teams must coordinate to ensure proposals reflect requirements, are captured adequately in proposal, and in a manner that translate to your business systems.

Reconciling Cost Volumes with Limitations on Subcontracting

- Cost Transparency vs. The Ostensible Subcontractor Trap
 - Subcontracting with a Similarly Situated Entity (SSE)
 - FAR 19.505, Limitations on Subcontracting and Nonmanufacturing Rule
 - Work performed by a similarly situated entity does not count as "subcontracted" work, it counts toward the prime contractor's performance percentage
 - 13 CFR § 125.6, small business primes on service set-asides must spend > 50% of the amount paid for personnel on their own employees or SSEs

The Trap: When the Government asks for cost detail breakdowns on a proposal, the detailed cost narrative becomes open-source evidence for bid protests. If your spreadsheet reveals a large mentor performing 55% of the direct labor dollars, you have drafted your own disqualification.

Reconciling Cost Volumes with Limitations on Subcontracting

continued

- Math in the Cost Volume
 - Isolate non-labor costs in your price/cost workbook
 - The 50% rule applies to labor only
 - If relying on SSEs to meet the 50% rule
 - Price/Cost Narratives should include verifiable socioeconomic status and explicit math showing the prime and SSE labor combined meet the statutory requirement
 - Per SBA, Joint Ventures Protégé's are required to carry at least 40% direct, unburdened labor dollars
 - Narratives and supporting price/cost files should support the requirement
 - Evaluators should be verifying math to support your position, not creating it in their evaluation

Cross-Volume Proposal Audit

- Lay the Volumes side by side
 - Technical vs. Cost
 - If the Technical Volume says the prime leads systems engineering and core software development, but the Cost BOE reveals that 80% of senior software engineering hours belong to the subcontractor, the proposal has a fatal disconnect that will trigger cost realism downgrades and ostensible subcontracting protests
 - Staffing vs. Cost
 - Key Personnel named in the Technical Volume must appear in the Cost Volume and supporting workbooks as direct charge and under the prime—not as 1099 consultants or subcontractor personnel
 - Subcontractor SOW vs. BOE
 - Ensure the workshare described in the Subcontractor SOW matches the exact labor categories, hours, in the pricing model

Cross-Volume Proposal Audit, continued

- Cross-Volume Checklist
 - Ensure estimating policies and procedures account for Technical, Cost, and Internal Controls personnel to leverage similar data sets to successfully perform pre and post award functions
 - BOEs are to the level of detail and outside party can understand the approach and resources needed to complete it
 - Subcontractor transparency clauses are executed in all teaming agreements
 - ODCs, Materials, Travel, and Other costs are segregated from Labor
 - SSE certifications and SAM.gov validations are reflected in the Price/Cost Narrative
 - Key personnel reconcile between Technical and Price/Cost Volumes.

Questions & Discussion



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