

February 17, 2023

Creating a More Diverse and Resilient Federal Marketplace through Increased Participation of New and Recent Entrants

Frequently Asked Questions

The following questions and answers are intended to supplement OMB Memorandum M-23-11, [*Creating a More Diverse and Resilient Federal Marketplace through Increased Participation of New and Recent Entrants*](#).

Definition of New Entrant and Recent Entrant

How can the standard definition of new entrant participation promote diversity and resilience?

At a time when applications to start new small businesses in America are at an all-time high, it is imperative that the Federal marketplace leverage this small business growth in supply chains that support agency missions, reverse the significant decline of small business participation in the Federal supplier base over the last decade, and increase the share of Federal contract dollars awarded to small disadvantaged businesses to 15 percent by 2025, as called for by the President. A common definition of “new entrant” is an important building block for achieving this heightened management attention. With a common definition, the Federal Government can measure progress across the Federal enterprise, at individual agencies, and in specific market sectors.

Is the primary focus of attention on small business diversity and resilience?

Yes. While agencies should seek to increase overall new entrant and recent entrant participation, they are expected to focus their attention on small businesses and the four socio-economic small business categories recognized in the Small Business Act – i.e., (i) small disadvantaged businesses, (ii) women-owned small businesses, (iii) service-disabled veteran-owned small businesses, and (iv) small businesses in HUBZones.

What is the purpose of including entities of all sizes in the definition of new entrant, as opposed to focusing only on small businesses?

The Federal Government has seen a decline in its entire contractor base over the last decade. Including entities of all sizes in the definition of new entrant will give agencies the ability to conduct comprehensive trend analyses of the Federal market at large, rather than more narrowly focused analyses that are limited to small businesses and each of the socioeconomic small business categories.

How does tracking other than small businesses (i.e., mid-sized and large businesses) advance equity and support for underserved communities?

Many successful mid-sized and large businesses, including minority-owned businesses and other socio-economic businesses, once operated as small and grew to mid-sized and/or large businesses. Tracking their activity over time and more comprehensively gives the Federal Government an opportunity to: (i) better understand resilience challenges faced by growing both small and mid-sized entities, and (ii) begin to consider policies that support resiliency in ways that mitigate extensive supply chain disruptions and lead to more stable markets.

Why are reentrants (i.e., entities that are not new to the Federal marketplace but have not received awards in five or more years) included in the definition of new entrant?

Capturing reentrants who have not done business with the Government in a number of years will send an important signal to the community that agencies are committed to recapturing businesses that have fallen out of the market in recent years where they have value to provide to agency programs.

Why are we tracking recent entrants?

Resilience requires more than helping an entity get its foot in the door. Agencies need to recognize that entities are not likely to be instantly competitive. They need time to establish their footing with customers and begin to build a breadth of experience. This means agencies must take extra steps to ensure new entrants have every opportunity to win work and build a track record in the Federal marketplace. These extra steps might include coordinated efforts with the Small Business Administration (SBA), business development centers of the Minority Business Development Agency (MBDA) and APEX Accelerators to facilitate technical assistance.

Which type of Federal prime contract procurement awards are considered to fall within the definition of new entrant?

Any prime contract procurement award above the micro-purchase threshold (MPT) that binds the Federal Government to pay the contractor for work performed falls within the definition. This includes both definite and indefinite delivery contracts. However, a contractor would not be considered a new entrant under an indefinite delivery contract until it receives an order for work over the MPT. Award as a contract holder (or GSA Schedule holder) that only guarantees a minimum to satisfy legal consideration would not fall within the definition. Nor does award of a blanket purchase agreement or basic ordering agreement, since neither of these awards obligate the government to pay the contractor.

If an entity receives its first Federal prime contract award at the end of FY 22 but performance does not start until the beginning of FY 23 does it count as a new entrant in FY 22?

Yes. The entity received a procurement award in FY 22 that will bind the Federal Government to pay the contractor for work performed.

If an entity receives multiple awards in FY 22 and performs in FY 22, do all of the award dollars count as having been received by a new entrant?

Yes.

If an entity that received its first-ever award in FY 22 receives its second award in FY 24 and its third award in FY 26, would both the second and third awards count as awards to a recent entrant?

The second award would be considered as having been made to a recent entrant but the third award would not. An award must be received by an entity during the 3-year period following the year in which it received a prime Federal contract award for the first time to count as an award to a recent entrant.

Why does the definition of recent entrant focus on the development of first-time entrants and not reentrants?

An entity's resilience in the Federal marketplace is likely to face the greatest challenges when it is learning the landscape for the first time (e.g., understanding the Federal buying process and its unique requirements, understanding Government requirements and buying patterns, and identifying a potential customer base). Encouraging agencies to conduct targeted outreach with this vendor population should help businesses build resilience during a particularly critical period in their development.

Entrants operating in different supply chains may require different periods of time to build their resilience. Is it possible in the future that the definition of recent entrant might be refined to reflect these potential differences?

Yes. Experience and insight gained from the current guidance will be used to evaluate potential future refinements to the guidance.

If at least one of the entities comprising a joint venture meets the definition of a new entrant, would the joint venture be treated as a new entrant? Furthermore, would a joint venture that qualifies a small business be treated as a small business new entrant?

Yes. Bringing in new talent as part of a joint venture helps to grow the diversity of the supplier base, which is a key purpose of benchmarking new entrant activity. Similarly, a joint venture can qualify as a recent entrant if one of the partner entities meets the definition of recent entrant. Additionally, a joint venture that qualifies as a small business would be reflected as a small business new entrant.

If a subsidiary or affiliate receives a prime Federal contract award over the MPT for the first time, is it considered a new entrant even if the parent entity holds federal contracts and is not a new entrant?

Each entity that holds a unique entity identifier will be treated as a separate entity. In the example above, the subsidiary or affiliate will be treated as a new entrant.

Subcontract activity is not captured in the definition of new and recent entrants. Does this mean subcontracting is not relevant to building the diversity and resilience of the Federal marketplace?

No. Subcontracting is an important gateway into the Federal marketplace and a number of efforts are underway to increase attention on subcontracting practices and strengthen our supply chains. These efforts are focused on ensuring that prime contractors are taking appropriate actions to achieve greater diversity and resilience within their own supply chains and that Federal agency policies and practices are creating opportunities for small business subcontractors to compete and receive work as prime contractors. As these policies and practices are built out, the Federal acquisition community will work to improve agency ability to capture and analyze information that can be used to evaluate progress.

Tracking and Measuring New and Recent Entrants

Some entities will qualify as small businesses for some awards and large for others. How will these entities be tracked?

Entities will be captured as new or recent entrants in all categories for which they qualify during the time periods specified in the definitions of these terms. For example, if an entity that has never done work with the Government before receives two awards in FY 22 – one as a small business and one as a large business – it will be counted as a new entrant small business in a benchmark of small businesses and as a new entrant other than small business in a benchmark of other than small businesses. If, during FY 23, the same entity receives work as a small business but not as an other-than-small business, it will be counted as a small business recent entrant for FY 23, but will not be counted as an other-than-small business recent entrant in FY 23, because it did not receive an award.

If the same entity can be counted as both a small and other than small new entrant, isn't this double counting?

No. The data will not be aggregated for benchmarking or reporting. The benchmarking and reporting will address three areas by fiscal year: (i) total new and recent entrants (without reference to size status), (ii) total small business new and recent entrants, and (iii) total other-than-small new or recent entrants. Having these separate reports will avoid double counting while still providing important insight to measure progress in rebuilding the contractor base.

Why is it important to track new and recent entrant activity by PSC, spend category, and NAICS code?

Tracking by market segment is key to achieving greater diversity and resilience. This “economy of scope” focus – a pillar of category management – allows the Federal Government to see more easily areas of underutilization, both within the Federal marketplace and in the economy at large, and opportunities to pursue best practices that can help small and large businesses in that market segment thrive.

If the same entity receives two awards in different NAICS code, which NAICS would be counted in the new entrant analysis?

The entity would be counted as a new or recent entrant in both of the NAICS code areas.

If the same entity is counted as a new entrant in different NAICS, won't this result in overcounting when participation in each NAICS code is totaled?

Tracking by individual NAICS is designed to support trend analysis within that NAICS code, not to identify total new entrant participation in the Federal market. As explained above, there will be separate benchmarking and reporting to show total new entrant participation.

Why is it important to track agency activity involving entities that are new to the agency but not new to the Federal government?

This dimension of tracking is designed to help agencies evaluate their individual progress in building the diversity and resilience of their own supplier base.

If agencies are allowed to receive new entrant credit for entities on existing contracts, or entities that have received open market awards by other agencies, how does that promote diversity and resilience?

First, it recognizes that there are many small businesses and others on existing vehicles that are underutilized and struggle to receive work. Providing incentives for agencies to work with these entities to ensure they are able to participate in agency competitions can help to build these contractors' resilience while adding to the diversity of the agency's base.

Second, many Federal programs are best served by a mix of fresh and seasoned contractor talent. For example, by giving agencies credit for leveraging both new SDB talent to the Federal marketplace (e.g., by making an award under the simplified acquisition threshold to a new entrant or using an 8(a) contractor that has never received a Federal award) and seasoned talent (e.g., by making an award off of 8(a) STARS or another Government-wide acquisition contract or the GSA Schedules to an SDB that is new to the agency but experienced in the Federal marketplace), agencies can leverage the full range of skills and experience offered by SDBs and maximize the likelihood of success on its programs and projects.

Will an entity be counted as a new entrant if its first award from the Government is made using the Government purchase card?

Entities receiving awards over the MPT will be included in the count of new entrants for benchmarking purposes, to the extent that the purchase card transaction is reported to FPDS in accordance with section 4.1102 of the Federal Acquisition Regulation (FAR).

However, entities receiving awards under the MPT will not be included in the calculation of new entrants for benchmarking purposes. In accordance with FAR 4.1102, entities that only do business through the purchase card under the MPT are not required to register in the System for Award Management (SAM), so there is no feasible way to validate their size. Validation is further complicated by the fact that purchase card holders do not identify the predominant NAICS to establish if an entity is small for the instant transaction. In addition, pursuant to FAR Subpart 4.6, actions under the MPT are not required to be reported in FPDS.

That said, the participation and contribution of entities to Federal supply chains that are transacting solely through MPT purchases should be understood, recognizing that this activity can be a gateway for some entities to do more substantial work with the Federal marketplace in the future. This may include large and small business entities who sell through GSA's Commercial Platforms program, which provides access to managed, open-market mechanisms for an efficient and modern buying experience. To this end, the Office of Federal Procurement Policy intends to work with GSA, SBA, and agency stakeholders to explore options for capturing information, including through GSA's SmartPay Program, which manages data capture with participating commercial banks, so that officials who are responsible for acquisition stewardship and advancing equity in procurement have a fuller picture of marketplace activity.

Will an entity be counted as a new entrant when it receives its first ever award above the MPT, even if it has previously received awards under the MPT through the purchase card?

Yes. For benchmarking purposes, an entity is identified as a new entrant when it receives an obligation greater than the MPT, currently \$10,000, for the first time. Purchase card transactions less than the MPT or those that are not reported to FPDS are not included in the methodology for identifying new entrants. The purchase card program may serve as a gateway for entities to become acclimated to Federal agencies and those that decide to pursue higher dollar awards would be considered new entrants at the point when they register in SAM and receive their first award above the MPT. Because entities who receive their first award through the purchase card under the MPT will not count as new entrants, there will be no double counting.

How might an agency use the [Supplier Base Dashboard](#) to evaluate performance and identify opportunities to build greater diversity and resilience in its own supplier base?

The [Supplier Base Dashboard](#) is designed to help agencies evaluate their own diversity and resilience by tracking the size of their supplier base as well as the mix of new entrants, recent entrants, and established vendors that are small disadvantaged businesses, women-owned small businesses, service-disabled veteran-owned small businesses, and small businesses who are HUBZone contractors. Furthermore, the dashboard allows for filtering of the supplier base by PSC, NAICS, or category management spend category. The dashboard is designed primarily for agencies to perform self-assessments. As part of this assessment, agencies may wish to compare their own supplier base mix for a specific market segment to other agencies with similar missions or buying patterns and follow up with those agencies with more new and recent entrants to compare market research and acquisition strategies.

How might an agency use the [Procurement Equity Tool](#) to assist with identifying potential offerors that have not yet done business with the agency?

The [Procurement Equity Tool](#) is intended to provide agencies with the ability to locate registered vendors and see past awards across geographic distributions, NAICS codes, and small business categories (SDBs, WOSBs, SDVOSBs, and HUBZone small business contractors) using data from both SAM and FPDS. The tool can help agencies identify potential sources in a specific market segment by comparing data in FPDS and SAM to find registered sources to whom they have not made awards in the past.

For example, a user interested in soliciting an award in the state of Connecticut for NAICS code 236220 would use the SAM view in the tool to show all registered vendors that fit these criteria and filter further by one of the small business categories or other geographic filters such as congressional district or zip code. In the FPDS view of the tool, the user could see the award history in Connecticut for this NAICS code along with the agency, vehicle used, and dollars obligated. Once the user has used the filter and toggle options to display the desired granularity, the data detail options will display the SAM or FPDS data in a spreadsheet format that can be exported into various file formats.