

8(a) Business Development Program: Common Compliance Pitfalls

Many socially and economically disadvantaged small business owners seek to partake in the Small Business Administration's 8(a) Business Development (BD) Program to compete for and receive set-aside and sole-source contracts. In 2023, there were an estimated 5,217 8(a) BD [program participants](#). This guide covers basic compliance requirements and pitfalls 8(a) participants should be aware of to complete a full term in the program.

Size and Size Protections

1. To remain eligible to participate in the 8(a) BD program after certification, a firm must generally remain small for its primary NAICS code.
2. With some exceptions, the SBA can graduate a participant prior to the expiration of its program term, where the firm exceeds the size standard for its primary NAICS code, as adjusted, for three successive program years.
3. SBA's approval of a joint venture agreement does not equate to a formal size determination, meaning the size status of a joint venture that is the apparent successful offeror for a competitive 8(a) contract can still be protested.

Ownership and Control

1. 8(a) participants are required to receive SBA approval for changes in ownership. When a change in ownership will involve a transfer of more than 20% interest in the firm, the participant must obtain SBA approval prior to the change or obtain a waiver. The SBA can suspend a participant from program benefits if a participant proceeds with a change in ownership prior to SBA approval.
2. 8(a) participants are required to inform SBA, and in some cases obtain prior approval, of any changes in business structure or management, including changes in officers, directors, and daily managers.
3. Failure to accurately disclose the extent non-disadvantaged individuals or firms participate in the management of the 8(a) concern can be grounds for termination from the program or termination of the contract.

Economic Disadvantage

1. The SBA may graduate or terminate a participant from the 8(a) BD program where an owner is no longer economically disadvantaged.
2. Sufficient reasons for SBA to conclude that a socially disadvantaged individual is no longer economically disadvantaged include excessive withdrawals of funds or other assets by owners; or the substantial personal assets, income, or net worth of any disadvantaged owner.
3. Since the financial condition of the participant is considered in evaluating the disadvantaged owner's economic status, the SBA may also consider participant access to a significant new source of capital or loans.