

Certification Overview

Certification is a review process designed to ensure that a small business is actually owned, controlled, and operated by the applicants. Most certifications are granted for Minority or Women owned businesses, Small Disadvantaged Businesses, and underutilized businesses. Certification agencies implement the processes for government and private sector entities and ensure that only firms that meet the eligibility criteria of the individual programs are properly certified.

SBA's Definition of a Small Business

The SBA defines a small business concern as one that is independently owned and operated, is organized for profit, and is not dominant in its field. Depending on the industry, size standard eligibility is based on the average number of employees for the preceding twelve months or on sales volume averaged over a three-year period. Examples of SBA general size standards include the following:

- Manufacturing: Maximum number of employees may range from 500 to 1500, depending on the type of product manufactured;
- Wholesaling: Maximum number of employees may range from 100 to 500 depending on the particular product being provided;
- Services: Annual receipts may not exceed \$2.5 to \$21.5 million, depending on the particular service being provided;
- Retailing: Annual receipts may not exceed \$5.0 to \$21.0 million, depending on the particular product being provided;
- General and Heavy Construction: General construction annual receipts may not exceed \$13.5 to \$17 million, depending on the type of construction;
- Special Trade Construction: Annual receipts may not exceed \$7 million; and
- Agriculture: Annual receipts may not exceed \$0.5 to \$9.0 million, depending on the agricultural product.

There are many types of certifications available for Small Businesses

Minority Owned Businesses (MBE)

A minority-owned business is a for-profit enterprise, regardless of size, physically located in the United States or its trust territories, which is owned, operated and controlled by minority group members. "Minority group members" are United States citizens who are Asian, Black, Hispanic and Native American.

Ownership by minority individuals means the business is at least 51% owned by such individuals or, in the case of a publicly-owned business, at least 51% of the stock is owned by one or more such individuals. Further, the management and daily operations are controlled by those minority group members.

For purposes of NMSDCs (National Minority Supplier Development Council) program, a

minority group member is an individual who is a U.S. citizen with at least 1/4 or 25% minimum (documentation to support claim of 25% required from applicant) of the following:

- Asian-Indian - A U.S. citizen whose origins are from India, Pakistan and Bangladesh
- Asian-Pacific - A U.S. citizen whose origins are from Japan, China, Indonesia, Malaysia, Taiwan, Korea, Vietnam, Laos, Cambodia, the Philippines, Thailand, Samoa, Guam, the U.S. Trust Territories of the Pacific or the Northern Marianas.
- Black - A U.S. citizen having origins in any of the Black racial groups of Africa.
- Hispanic - A U.S. citizen of true-born Hispanic heritage, from any of the Spanish-speaking areas of the following regions: Mexico, Central America, South America and the Caribbean Basin only. Brazilians shall be listed under Hispanic designation for review and certification purposes.
- Native American - A person who is an American Indian, Eskimo, Aleut or Native Hawaiian, and regarded as such by the community of which the person claims to be a part. Native Americans must be documented members of a North American tribe, band or otherwise organized group of native people who are indigenous to the continental United States and proof can be provided through a Native American Blood Degree Certificate (i.e., tribal registry letter, tribal roll register number).

Certification is done at the local or regional level. The NMSDC and its affiliates do charge a non-refundable application fee. Certification must be renewed each year along with payment of annual fee. To find the certifying agency nearest to your location, [click here](#). Certification application forms can be obtained from these agencies.

Women Owned Businesses (WBE)

To become certified as a woman owned business, businesses must show:

- All prospective members must provide clear and documented evidence that at least 51% or more is women-owned, managed, and controlled.
- The business must be open for at least six months.
- The business owner must be a U.S. citizen or legal resident alien.

Evidence must indicate that:

- The contribution of capital and/or expertise by the woman business owner is real and substantial and in proportion to the interest owned.
- The woman business owner must direct or cause the direction of management, policy, fiscal, and operational matters.
- The woman business owner shall have the ability to perform in the area of specialty or expertise without reliance on either the finances or resources of a firm that is not owned by a woman.

Certification is done at the local or regional level. The Women's Business Council does charge a non-refundable application fee. Certification must be renewed each year along with payment of annual fee. To find the certifying agency nearest to your location, [click here](#). Certification application forms can be obtained from these agencies.

Small Disadvantaged Businesses (SDB) or Disadvantaged Business Enterprises (DBE)

Federal law mandates a number of requirements with respect to disadvantaged business enterprises ("DBEs") - as such entities are defined under federal law - in projects where federal funds are utilized. In terms of public works and construction projects, federal funds are generally used to some extent for major transportation projects in particular.

These requirements, which are under the jurisdiction of the United States Department of Transportation, include setting of DBE utilization goals, design and implementation of a DBE "program", monitoring and reporting.

To qualify as a DBE, the business must be owned and controlled by one or more socially and economically disadvantaged persons as defined by DBE [Regulation 49 CFR Parts 23 and 26](#). The presumption of disadvantage is refutable. Businesses must show:

- Minimum 51% ownership, control, and expertise of the individual(s) and
- Control of the daily management and operations of the individual(s)

The business' size as measured by average annual gross receipts over the most recent three years must be under the specified dollar amounts. These size standards are set according to the business' North American Industry Classification System (NAICS) code. Depending on the industry, these limits can range from \$2.5 million averaged per year to \$17.4 million averaged per year. Manufacturers, wholesalers and retailers must meet an employee size standard ranging between 500 to 1500 employees, depending on the NAICS classification, and their average three year gross sales must be less than \$17.4 million.

Recently, changes to the DBE regulations require all owner applicants to complete a Statement of Disadvantage and a Personal Financial Statement. All eligible owners must affirm that they are members of a disadvantaged group (for example, an eligible ethnic minority or female). In addition, the personal net worth of each eligible owner applicant must be less than \$750,000, excluding the values of the applicant's ownership interest in the business seeking certification and the owner's primary residence.

Generally, certification is done at the local or regional level. There is no fee to apply for certification. [Certification consultants](#) are available through this site for fee based assistance. Also, see the [seminar schedule](#) for upcoming certification assistance workshops.

To find the certifying agency nearest to your location, [click here](#). Certification application forms can be obtained from these agencies.

8(a) Designation

A business enterprise meets the basic requirements for admission to the 8(a) Business Development program if it is a small business which is unconditionally owned and controlled by one or more socially and economically disadvantaged individuals who are of good character and citizens of the United States, and which demonstrates potential for success. This certification is geared more for socially and economically disadvantaged individuals as defined in the Small Business Act.

The 8(a) Program offers a broad scope of assistance to socially and economically disadvantaged firms. The SDB certification strictly pertains to benefits in federal procurement. Firms achieving 8(a) certification automatically qualify for SDB certification.

Program participation is divided into two stages: the developmental stage and the transitional stage. The developmental stage is four years and the transitional stage is five years. Participants are reviewed annually for compliance with eligibility requirements.

8(a) General Requirements for Certification:

- Must be at least 51% owned and controlled by a socially and economically disadvantaged individual or individuals
- African Americans, Hispanic Americans, Asian Pacific Americans, Subcontinent Asian Americans, and Native Americans are presumed to qualify
- Other individuals can be admitted into the program if they show through a preponderance of the evidence that they are disadvantaged because of race, ethnicity, gender, physical handicap or residence in an environment isolated from the mainstream of American society
- Individuals must have a net worth of less than \$250,000, excluding the equity of the business and primary residence
- Must meet applicable size standards for small businesses in their industry
- 2 full years of business operations

The Small Business Administration's [Frequently Asked Questions](#) page explains many of the common questions regarding this program. More detailed information can be found in the [Code of Federal Regulations](#) regarding Small Business Development.

HUBZone Business Enterprises (HUB)

To participate in HUB (Historically Underutilized Business) contracting programs, a business must be determined to be a "qualified HUBzone small business concern". A firm can be qualified if:

- It is small,
- It is located in an "historically underutilized business zone" (HUB Zone)
- It is owned and controlled by one or more US Citizens, and
- At least 35% of its employees reside in a HUBZone.

To find out if you are in a HUBZone, visit the [SBA's HUBZone](#) page.

Disabled Veteran Businesses (DVBE)

The law defines a disabled veteran as a United States military, naval or air service veteran with a service related disability of at least 10 percent.

For a firm to be certified as a DVBE, it must submit a completed Small Business and/or Disabled Veteran Business Enterprise Certification Application and meet the following legal requirements:

- It is a sole proprietorship or partnership at least 51 percent owned by one or more disabled veterans or, in the case of a publicly owned business, with at least 51 percent of its stock owned by one or more disabled veterans; a subsidiary which is wholly owned by a corporation in which at least 51 percent of the parent company's voting stock is owned by one or more disabled veterans; or a joint venture in which at least 51 percent of the joint venture's management, control and earnings are held by one or more disabled veterans.
- One or more disabled veterans control the management and daily control of the daily business operations.
- The disabled veteran(s) exercising management and control need not be the same disabled veteran(s) who own the firm.
- It is a sole proprietorship, partnership or corporation with its home office located in the United States and is not a branch or subsidiary of a foreign corporation, firm or business.