SEC. ___. INCREASE IN SIMPLIFIED ACQUISITION THRESHOLD.

Section 134 of title 41, United States Code, is amended by striking "$100,000" and inserting "$500,000".

Section-by-Section Analysis

This proposal would help reduce complexity and increase the efficiency and effectiveness of the federal buying process for small businesses and other businesses that currently sell goods and services to the government in amounts between $150,000 and $500,000. This proposal would increase the simplified acquisition threshold (SAT) under title 41, United States Code so that acquisitions in this dollar range can take advantage of the same processes as small dollar purchases rather than being subject to the same complex rules required for multi-million dollar contracts.

In 1994, Congress created the simplified acquisition threshold (SAT) to enable agencies to acquire small dollar acquisitions below the threshold with minimum transaction costs and Government-unique burdens. This proposal would increase the SAT from its present value of $150,000 to $500,000. This increase would recognize that transactions in this dollar range typically bear the characteristics of small dollar transactions and should therefore be treated as SAT purchases rather than being subject to government-unique compliance requirements that are applied to multi-million dollar acquisitions.

SAT purchases subject contractors to fewer compliance requirements, including those calling for formal programs, certifications, reporting, and oversight. In addition, SAT purchases allow agencies to transact with interested sources using simplified acquisition procedures, which generally entail shorter solicitations, greater reliance on a contractor's existing product literature, simpler evaluation processes and less detailed documentation. As a result of this relief, contract actions under the SAT often bear a greater similarity to generally accepted commercial practices when compared to larger procurements, which makes it easier and less costly for agencies and contractors to do business.

When the SAT was first created, Congress established the threshold at $100,000. In 2010, the Federal Acquisition Regulatory Council (FAR Council) raised the threshold to $150,000 to reflect inflation, pursuant to authority provided by 41 U.S.C. 1908. While this adjustment has been beneficial, it leaves acquisitions between $150,000 and $500,000 subject to the same compliance requirements as a contract for millions of dollars or more even though these modestly sized acquisitions typically share many of the same characteristics as small dollar acquisitions – namely, the agency has requirements that can be satisfied with commercial products and services. This proposal would raise the threshold to $500,000 so that Defense and civilian agencies could apply a simplified and faster procurement approach to approximately 15,000 more procurement transactions than is possible under the existing threshold of $150,000. An increased SAT would not only lower transaction costs for established contractors (small and large) that are currently selling to the government in this dollar range, but also simplify the learning curve for qualified contractors who wish to sell to the government but have little or no

experience doing so. This increase involves only about 1 percent of Federal contracting dollars (about $4.5 billion in fiscal year (FY) 2013), thus leaving the majority of government spending under the compliance controls intended for large contracts.

Budgetary Implications: There would be no budgetary impact as a result of the change in this proposal because the proposal is only an authorization and would not increase the overall budget requirements of the Department or any other Federal agency.

Changes to Existing Law: This proposal would amend title 41, United States Code as follows:

TITLE 41, UNITED STATES CODE

§ 134. Simplified acquisition threshold

In division B, the term "simplified acquisition threshold" means ~~**$100,000**~~ **$500,000**.

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