



GSA Federal Acquisition Service

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FAS INSTRUCTIONAL LETTER 2011-16

MEMORANDUM FOR ALL FAS ACQUISITION ACTIVITIES

FROM: HOUSTON W. TAYLOR 
 ASSISTANT COMMISSIONER
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SUBJECT: Estimating Contract Dollar Value on Federal
 Supply Schedule (FSS) Contracts

1. Purpose: The purpose of this Instructional Letter (IL) is to provide guidance on how to estimate the dollar value for the base and option periods on FSS contracts.
2. Background: Estimating contract dollar value on FSS contracts is taking on additional importance because a contract's value often determines if increasingly significant and sometimes new contract requirements apply. For example, estimated contract dollar value during an offer's evaluation stage indicates whether or not a subcontracting plan is required for a large business. The estimated contract dollar value also determines whether or not the requirements for a Pre-negotiation Clearance Panel (PNCP) or Equal Employment Opportunity (EEO) clearance apply prior to either initial contract award or the exercise of an option period.

Currently, there is no formal guidance for estimating contract dollar value. As a result, acquisition centers have developed their own unique way of determining value. While the methods may not be incorrect, lack of a standard process leads to inconsistency across the Program.

3. Effective Date: Date of signature.
4. Termination Date: This IL remains in effect unless it is cancelled.
5. Applicability: This IL applies to all GSA/FAS acquisition activities awarding and administering Federal Supply Schedule contracts. ~~The IL also applies to Department of Veterans Affairs (VA) acquisition activities awarding and administering Federal Supply Schedule contracts.~~
6. Reference Regulations: IFSS-163 "Option to Extend the Term of the Contract (Evergreen); Clause IFSS-639, Contract Sales Criteria; Clause B-FSS-96, Estimated Sales
7. Instructions/Procedures.

A. General Guidance

Estimated contract dollar value is based on the entire potential length of a FSS contract. In accordance with I-FSS-163, Option to Extend the Term of the Contract (Evergreen), the potential length of a FSS contract period is currently 20 years. Accordingly, when awarding the initial contract, estimated dollar value is based on 20 years. ~~The VA uses a potential contract length of only 10 years; this must be reflected in estimating the contract value for these contracts at award and at option.~~

At each option period, the estimated contract dollar value is based on the remaining potential years on the contract, in addition to the actual sales of the previous periods. For example, when exercising the first option period, the estimated contract dollar value will be based on the actual sales of the first 5 years plus the estimated sales of the remaining potential 15 years. When exercising the second option period, the estimated contract dollar value will be based on actual sales for the first 10 years and estimated sales of the potential remaining 10 years.

B. Minimum Estimated Contract Dollar Value

Small Businesses

Clause I-FSS-639, Contract Sales Criteria, requires that each Schedule contract have sales of \$25,000 in the first two years of the contract and \$25,000 in each subsequent year. For the potential 20 year Schedule contract, this adds up to at least \$475,000 in minimum sales. Therefore, contracts for small businesses should have an estimated contract dollar value of at least \$475,000. If an offeror comes in with an estimated sales figure that is less than \$475,000, the Contracting Officer should have a discussion with them about the Contract Sales Criteria. A Contracting Officer should not award a contract to a firm that is unprepared to meet this minimum sales requirement.

Large Businesses

~~For large businesses, as determined by NAICS, estimated contract dollar value should exceed the threshold specified in FAR Subpart 19.702(a)(1). Therefore, In accordance with the rationale in IL 2011-09,~~ contracts for large businesses should have an estimated contract dollar value of at least \$650,000 (threshold subject to change). This means that, by default, large businesses must submit a subcontracting plan.

C. Considerations Beyond Minimum Estimated Contract Dollar Values

In order to better estimate contract value beyond the starting points of \$650,000 for large businesses and \$475,000 for small businesses, consider clause B-FSS-96, Estimated Sales, CSP – 1, Commercial Sales Practices (CSP) Format, and any other relevant data.

B-FSS-96 provides a list of either a twelve-month reading of sales as reported by previous contractor(s) for each SIN, or estimates of the anticipated dollar volume (in the event the SIN is new) for each SIN. Although the dollar values listed have no direct correlation to the company's ability to produce sales, these numbers provide the Contracting Officer with a historical frame of reference as to the potential sales volume that is possible under each SIN. Analyze the estimated sales identified by the offeror on the CSP. Check to see if the numbers provided are realistic based on their financial statements, commercial sales, invoices, and prior federal contracting history (if any). If the estimated sales initially provided appears to be unrealistic, address this with the offeror during the offer evaluation process. There is no requirement to obtain a revised CSP unless the Contracting Officer determines that the estimated sales fall below the minimum \$650,000

(large businesses) or under \$475,000 (small businesses), which may indicate the offeror's inability to successfully meet the minimum sales requirements in accordance with Clause I-FSS-639, Contract Sales Criteria .

Finally, use any other relevant data obtained from internal market research and/or the offeror to determine whether estimated sales are reasonable. Document this information appropriately in the contract file.

D. Options

The estimated contract dollar value should be reviewed at the option period and adjusted accordingly. When estimating the contract dollar value at the option period, use the contractor's previous years' actual sales as the starting figure to estimate for the full potential 20 years of the contract. Sales data can be obtained from the 72A report that the contractor submits on a quarterly basis. That figure will be based on the sales trend established in the base years or previous option periods to come up with the total estimated contract value.

8. Question and Answer.

Q1. What is the estimated contract value that should be entered into FSS Online when loading a Schedule contract?

A1. The value that should be entered into FSS Online is the value that was estimated for the contract in accordance with the guidance in this IL.

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