

**GENERAL SERVICES  
ADMINISTRATION****48 CFR Parts 501, 538, and 552****[GSAR Case 2002–G507]****RIN 3090–AH79****General Services Administration  
Acquisition Regulation; Consolidation  
of Industrial Funding Fee and Sales  
Reporting Clauses; Reduction in  
Amount of Industrial Funding Fee****AGENCY:** Office of Acquisition Policy,  
General Services Administration (GSA).**ACTION:** Proposed rule.

**SUMMARY:** The General Services Administration (GSA) is proposing to amend the General Services Administration Acquisition Regulation (GSAR) to give GSA the unilateral right to change the percentage rate of the Industrial Funding Fee (IFF) in Multiple Award Schedule (MAS) contracts. The proposed rule also sets forth GSA's intent to modify and combine two existing General Services Administration (GSA) clauses that implement collection of the IFF by the Federal Supply Service (FSS) on sales from all Federal Supply Schedule contracts. These clauses are Industrial Funding Fee and Contractor's Report of Sales. Additionally, the proposed rule provides notice of the method FSS intends to utilize to modify each contract subject to the IFF. While the GSAR does not specify the percentage rate of the IFF, GSA intends to lower the current IFF rate from 1.0 percent to 0.75 percent of reported sales, effective January 1, 2004. The Administrator of GSA has the authority to change the IFF; GSA will consult with OMB prior to effecting any future changes to the IFF.

**DATES:** Interested parties should submit comments in writing on or before April 17, 2003, to be considered in the formulation of a final rule.

**ADDRESSES:** Submit written comments to—General Services Administration, Regulatory Secretariat (MVA), 1800 F Street, NW., Room 4035, Attn: Ms. Laurie Duarte, Washington, DC 20405.

Submit electronic comments via the Internet to—[gsarcase.2002-g507@gsa.gov](mailto:gsarcase.2002-g507@gsa.gov).

Please submit comments only and cite GSAR case 2002–G507 in all correspondence related to this issue.

**FOR FURTHER INFORMATION CONTACT:** The Regulatory Secretariat, Room 4035, GS Building, Washington, DC 20405, (202) 501–4755, for information pertaining to status or publication schedules. For clarification of content, contact Vonda J. Sines, Procurement Analyst, at (703)

305–7542, or Linda Nelson, Procurement Analyst, at (202) 501–1900. Please cite GSAR Case 2002–G507. The TTY Federal Relay Number for further information is 1–800–877–8973.

**SUPPLEMENTARY INFORMATION:****A. Background**

On April 18, 1995, GSA implemented an Industrial Funding Fee (IFF) for Federal Supply Schedules. Two clauses, 552.238–76, Industrial Funding Fee, and 552.238–74, Contractor's Report of Sales, are included in the solicitation for each Federal Supply Schedule contract and provide instructions for the submission of quarterly sales reported by contractors.

GSA utilizes the IFF to fund the cost of providing supplies and services through the Federal Supply Schedule program, eliminating operating expenses formerly funded with appropriated monies.

Fees are included in the Schedule prices charged to ordering activities; all contract award prices include the total amounts charged. Federal Supply Schedule contractors remit fees to GSA based on quarterly contract sales. GSA recoups its costs from the ordering activities through the contractor's quarterly remittance to FSS. The GSAR does not specify the percentage rate of the IFF. Rather, the initial 1 percent IFF rate was set via Acquisition Letter and has not changed since its inception.

GSA proposes to change the GSAR to provide that effective January 1, 2004, GSA will have the unilateral right to change the IFF rate.

The agency also proposes consolidation of the two foregoing clauses into a single clause, Industrial Funding Fee and Sales Reporting, under the number 552.238–74. The number 552.238–76 will become “reserved.” The new clause eliminates duplicative information in the two current clauses, clarifies sales reporting procedures, and describes the procedures FSS will utilize to unilaterally effect future IFF rate changes.

GSA also intends to reduce the IFF from its current rate of 1 percent of sales to 0.75 percent effective January 1, 2004. GSA proposes to implement this change by means of a bilateral contract modification to be executed electronically. As consideration to Federal Supply Schedule contractors for any potential costs incurred as the direct result of this change, GSA proposes to allow these vendors to continue to include the 1 percent IFF in their contract prices until December 31, 2003, but to forward to FSS an IFF of

0.75 percent for reported sales for the period of October 1, 2003, through December 31, 2003. Examples of the type of costs GSA anticipates contractors could incur include reprinting price lists and modifying accounting systems. The Administrator of GSA has the authority to change the IFF; GSA will consult with OMB prior to effecting any future changes to the IFF.

**B. Executive Order 12866**

This is not a significant regulatory action and, therefore, was not subject to review under section 6(b) of Executive Order 12866, Regulatory Planning and Review, dated September 30, 1993. This rule is not a major rule under 5 U.S.C. 804.

**C. Regulatory Flexibility Act**

The General Services Administration does not expect this proposed rule to have a significant economic impact on a substantial number of small entities within the meaning of the Regulatory Flexibility Act, 5 U.S.C. 601, *et seq.*, because the purpose of the proposed rule is to assign to GSA the sole discretion to set the rate of the IFF and to clarify for contractors how to handle changes in the IFF. The rule also proposes to modify and consolidate the provisions of two existing GSAR clauses in terms of sales reporting and procedural changes when the IFF rate changes. While some 78 percent of the Federal Supply Schedule contracts represent small business concerns, all contractors holding Federal Supply Schedules are already required to report quarterly sales and to periodically submit the Industrial Funding Fee to FSS. The proposed rule does not change these two requirements. It does require both small and large businesses to execute appropriate bilateral contract modifications and to make changes to existing price lists and accounting systems. GSA intends to mitigate the anticipated cost to contractors for these changes via offering consideration as described under paragraph A. An Initial Regulatory Flexibility Analysis has, therefore, not been performed. We invite comments from small businesses and other interested parties. GSA will consider comments from small entities concerning the affected GSAR parts 501, 538, and 552 in accordance with 5 U.S.C. 610. Interested parties must submit such comments separately and should cite 5 U.S.C. 601, *et seq.* (GSAR 2002–G507), in correspondence.

**D. Paperwork Reduction Act**

The current clause, 552.238–74, Contractor's Report of Sales, contains an