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Small Disadvantage Business Goals: The Effects of Recent Administrative Changes

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What outcomes were sought?

- To award 15% of prime contract dollars to SDBs by FY25
- To increase opportunities for small businesses and traditionally underserved entrepreneurs to compete for Federal contracts.
- To increase baseline spending for the additional socioeconomic small businesses and traditionally underserved entrepreneurs recognized in the Small Business Act (WOSBs, SDVOSBs and HUBZones)
- “[T]o broaden participation from within [underserved] communities . . . [to] strengthen the breadth and depth of the Federal Government’s small business supplier base, which has eroded significantly over the past decade.”

Small Business Goaling Results

Fiscal Year	Small Business	SDB	WOSB	HUBZone	SDVOSB
2018	25.06%	9.65%	4.75%	2.05%	4.27%
2019	25.82%	10.13%	5.04%	2.23%	4.34%
2020	25.42%	10.39%	4.71%	2.39%	4.23%
2021	26.11%	10.73%	4.41%	2.44%	4.33%
2022	25.37%	11.12%	4.34%	2.55%	4.45%

Data for FY 2018-2021 is from SSBGR, Data for FY 2022 is from GC.

SDB Goals and the Industrial Base

SDBs have declined more slowly than any group except HUBZones:

Fiscal Year	All UEI	Small Business	SDB	WOSB	HUBZone	SDVOSB
FY18-22	22.72%	23.24%	9.80%	11.60%	-8.07%	17.81%
FY18-20	13.98%	14.52%	6.23%	7.13%	-6.09%	9.01%
FY20-22	9.82%	10.20%	3.81%	4.81%	-1.87%	9.67%

How are awards to SDBs being made?

Fiscal Years	8(a) Sole Source	Sole Source, Not 8(A) Authorities	Restricted, not SB Set Asides	Restricted, not SB Set Aside or 8(a)	SB Set Aside
FY2018-FY2020	27.28%	0.54%	48.82%	7.83%	25.82%
FY2021-FY2022	23.25%	0.56%	46.32%	12.34%	28.16%

Fiscal Years	HUBZone Authorities	SDVOSB Authorities	VOSB Authorities	Native American Authorities	WOSB and EDWOSB Authorities
FY2018-FY2020	1.71%	4.49%	0.05%	0.31%	1.81%
FY2021-FY2022	1.77%	8.63%	0.05%	0.41%	1.48%

SDB Success Did Not Equal Success for Other Socioeconomic categories

Goal Attainment When Analyzing Businesses with Only One Socioeconomic Designation

Fiscal Year	Small Business	SDB	WOSB	HUBZone	SDVOSB
2020	11.08%	6.21%	1.60%	0.68%	2.61%
2021	11.16%	6.55%	1.56%	0.59%	2.62%
2022	9.88%	6.86%	0.35%	0.69%	2.60%

Recommendations

Based on the goals enumerated by the Administration, it should consider the following adjustments:

1. It should make it clear that increases in SDB spending must not come at the expense of the other socioeconomic programs, and it should make it a priority to meet all of the statutory small business goals before seeking to increase spending with other programs.
2. Clarify how businesses qualify for the SDB program so that firms are neither inadvertently or fraudulently self-certifying, and either institute a certification program or allow for competitor size-status protests.
3. Align goals to NAICS codes or industry sectors where the government could benefit from new entrants or additional SDB participation so that agencies do not seek the path of least resistance to goal attainment.