



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

October 22, 2007

H.R. 3867 **Small Business Contracting Program Improvements Act**

As ordered reported by the House Committee on Small Business on October 18, 2007

SUMMARY

H.R. 3867 would make several changes to programs administered by the Small Business Administration (SBA) that help small businesses compete for government contracts. The bill would expand contracting opportunities for certain veterans and increase the size limits on federal contracts that would be eligible for small business preferences.

In addition, H.R. 3867 would require background checks for participants in several contracting-preference programs, require SBA personnel to visit contractors participating in its HUBZone program, and expand the population of businesses that can protest the award to certain contracts. The bill also would impose penalties on small businesses that misrepresent the owner's status as a veteran disabled through military service.

Based on information from SBA, CBO estimates that implementing H.R. 3867 would cost \$11 million in 2008 and \$72 million over the 2008-2012 period, subject to the availability of appropriated funds. Enacting H.R. 3867 would increase civil penalties and thus could affect revenues, but CBO estimates that such effects would not be significant. Enacting the bill would not affect direct spending.

H.R. 3867 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3867 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit).

	By Fiscal Year, in Millions of Dollars				
	2008	2009	2010	2011	2012
CHANGES IN SPENDING SUBJECT TO APPROPRIATION					
Background Checks					
Estimated Authorization Level	1	1	1	1	1
Estimated Outlays	1	1	1	1	1
Study on Representation of Women					
Estimated Authorization Level	0	0	0	0	1
Estimated Outlays	0	0	0	0	1
On-Site Verification					
Estimated Authorization Level	13	13	13	14	14
Estimated Outlays	10	12	13	13	14
Award Protests					
Estimated Authorization Level	1	1	1	1	1
Estimated Outlays	0	1	1	1	1
Total					
Estimated Authorization Level	15	15	15	16	17
Estimated Outlays	11	14	15	15	17

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted early in fiscal year 2008 and that the necessary funds would be appropriated in that and each subsequent fiscal year.

Spending Subject to Appropriation

Under current law, SBA's 8(a) program offers business development and technical assistance as well as small business preferences for federal contracting and procurement. The HUBZone program provides federal contracting and procurement preferences to small businesses operating in historically underutilized business zones (HUB zones). H.R. 3867 would make changes to those programs as well as others that assist small businesses in competing for contracts with federal agencies. Subject to appropriation of the necessary amounts, CBO estimates that implementing H.R. 3867 would cost \$11 million in 2008 and \$72 million over the 2008-2012 period.

Background Checks. Section 201 of the bill would require SBA to perform background checks on owners of small businesses who apply to the 8(a) program and on participants in the HUBZone program that would be entering into a second federal contract. Based on information from SBA, CBO estimates that about 300 8(a) applicants and about 1,300 HUBZone applicants would be subject to this provision each year. The bill also would require SBA to perform background checks on a random sample of small-business owners participating in contracting-preference programs who are women or veterans disabled in military service. CBO estimates that implementing this provision would cost about \$1 million in 2008 and \$5 million over the 2008-2012 period, subject to appropriation of the necessary amounts.

Study on Representation of Women in Federal Contracting. Section 301 would require SBA to conduct a study every five years to identify industries in which women-owned small businesses are under-represented in federal contracting. Based on information from SBA, CBO estimates that implementing this provision would cost \$1 million over the 2008-2012 period.

On-Site Verification. Section 401 would require SBA to perform an on-site inspection to determine whether a HUBZone participant is, in fact, qualified to participate in the program. Such inspections would occur only when a HUBZone participant notifies SBA that it is to be awarded a second contract under the program. Based on information from SBA, CBO estimates that approximately 5,000 on-site visits would be performed each year. Subject to appropriation of the necessary amounts, CBO estimates that implementing this provision would cost about \$10 million in 2008 and \$62 million over the 2008-2012 period.

Award Protests. The bill would expand the parties eligible to protest the award of government contracts to participants in the 8(a) and HUBZone programs as well as programs that give preference to small businesses owned by women. Under current law, only parties with a direct stake in the outcome of the protest are eligible to lodge a protest. The bill would allow any small business to challenge the eligibility of a program participant to receive a contract award. Based on information from SBA, CBO expects that SBA would need four additional full-time equivalent investigators to handle the additional protests. We estimate that implementing this provision would cost \$4 million over the 2008-2012 period.

Revenues

Section 102 could result in the collection of additional civil penalties, which are recorded on the budget as revenues, from small businesses that misrepresent the owner's status as a veteran disabled through military service. CBO estimates that any additional revenues would not be significant because of the relatively small number of cases likely to be affected.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 3867 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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