

**REPORT TO CONGRESS
ON THE
SMALL BUSINESS
COMPETITIVENESS
DEMONSTRATION
PROGRAM**

October 1, 1997 - September 30, 1998

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EXECUTIVE SUMMARY

This report provides results of the Small Business Competitiveness Demonstration Program (the Program) established by Title VII of Public Law 100-656, the Small Business Competitiveness Demonstration Program Act of 1988. The Program has three primary objectives:

- to demonstrate whether small businesses in certain designated industry groups with significant amounts of Federal contracting can compete successfully with larger businesses for Federal contracts on an unrestricted basis;
- to demonstrate whether the expanded use of full and open competition would adversely affect small business participation in these designated industry groups; and
- to demonstrate whether targeted goaling can expand Federal contract opportunities for small businesses in categories in which small businesses have generally been under-utilized in the past.

This report describes the results of the Program for fiscal year (FY) 1998 as reported by the 10 participating Federal agencies. Participating agencies must report annually to the Small Business Administration (SBA) on their goal attainment in each Designated Industry Group (DIG) and Targeted Industry Category (TIC). SBA reviews the activities of the participating agencies through these annual reports.

Designated Industry Groups

The DIGs subject to the Program include: Construction (which includes Construction Group 15, Building Construction—General Contractors and Operators; Construction Group 16, Heavy Construction Other Than Building Construction—Contractors; and Construction Group 17, Special Trade Contractors), Refuse Systems and Related Services, Architectural and Engineering (A&E) Services (including Surveying and Mapping), and Non-nuclear Ship Repair. Under the Program, Federal contracts may be reserved or “set-aside” for small businesses if in any DIG small businesses fail to receive 40 percent (35 percent for A&E Services) of the dollar value of contracts awarded in that DIG. Also, agencies must make a good faith effort to ensure that “emerging” small businesses, defined by law as those small businesses that are one-half the SBA’s small business size standard or smaller, receive no less than 15 percent of the agencies’ total contract dollars awarded for each of the DIGs. This report also provides agency accomplishments against the small business and emerging small business goals for the DIGs covered by the Program and awards to small disadvantaged businesses in the DIGs.

During FY 1998, the 10 participating agencies collectively exceeded both the 40 percent small business and the 15 percent emerging small business participation goals for each DIG covered by the Program, except for A&E Services. For this DIG, small business participation

was just under 20 percent and emerging small business participation was 5.7 percent--a little more than one-third of the participation goal.

A review of overall small business and emerging small business participation rates between FY 1997 and FY 1998 displayed no general upward or downward trend by DIG. The participation rates or changes in participation rates between FY 1997 and FY 1998 appeared to be influenced more by an agency's contracting activity within a DIG than by any general trend affecting the DIG. Also, changes in small business and emerging small business participation for most participating agencies displayed no consistent trend in any one direction across DIGs. Rather, most agencies recorded a mixture of increases, decreases and minor changes from the previous fiscal year's experience. However, the percentage of the contracts actions to small businesses decreased by a few percentage points for most DIGs from FY 1997 to FY 1998.

A review of the participating agencies' achievement of the small business and emerging small business participation goals shows the participation goals were met for most DIGs, but not all. Although each agency's experience varied, the general success in meeting the participation goals suggests that in these DIG categories, set-asides were fairly uncommon.

Most agencies met the small business participation goal in the Construction, Refuse Systems, and Non-nuclear Ship Repair DIGs. However, 2 fewer participating agencies met the goals in Construction Group 16 and Refuse Systems in FY 1998 than in the previous fiscal year. Also, only four of the participating agencies met the A&E Services small business participation goal.

The agencies in general had more difficulty in achieving the 15 percent participation goal for emerging small businesses than in achieving the participation goal for small businesses. Only 2 participating agencies achieved the A&E Services emerging small business participation goal. The agencies also had difficulty in achieving the goal in Construction Group 15, where only half of the participating agencies met the goal. The largest change occurred in Refuse Systems where four participating agencies met the emerging small business participation goal in FY 1998—three fewer agencies than in the previous fiscal year. However, these three agencies had very little contracting activity in this DIG, and participating rates do vary significantly with only a few awards.

Targeted Industry Categories

During FY 1998, the participating agencies met their small business goals in 45 out of 100 of their selected TICs. A review of the percent of dollar awards made in the TICs shows the share of contract dollars in all TICs combined increased to 7.4 percent in FY 1998 from 6.0 percent in FY 1997. This increased occurred due to large increases in small business TIC awards by the civilian agencies.

Conclusion

The SBA's review of the Program's results for FY 1998 concludes that small businesses and emerging small businesses have essentially maintained their level of participation in Federal procurement within most of the DIGs and slightly increased their participation in the TICs from the FY 1997 results. While participation rates did not change much in most of the DIGs, we are concerned about fewer agencies meeting the participation goals in Refuse Systems. We continue to be concerned about participation rates for A&E Services. The participation agencies should focus more attention in these 2 DIGs to help maintain and increase participation rates above the Program's participation goals. Although the agencies increased their overall share of TIC contracts to small business, we are also concerned that they met fewer of their TIC goals in FY 1998 than in FY 1997. Agencies need to ensure that small business participation occurs in a broad range of industries to more effectively expand opportunities to small businesses.

CHAPTER 1

INTRODUCTION

Purpose

The Program was established in 1988 in response to the concern that a disproportionately large number of contracts in certain industries were being set aside for small businesses. At the same time, opportunities for small businesses were not being made available in other unrelated industries in which small business participation rates were historically low.

The Program has three primary objectives:

- to demonstrate whether small businesses in certain designated industry groups with significant amounts of Federal contracting can compete successfully with larger businesses for Federal contracts on an unrestricted basis;
- to demonstrate whether the expanded use of full and open competition adversely affects small business participation in these designated industry groups; and,
- to demonstrate whether targeted goaling can expand Federal contract opportunities for small businesses in categories in which small businesses have generally been under utilized in the past despite adequate numbers of small businesses in the economy.

Program Description

The Program began as a 4 year test, beginning on January 1, 1989, by Title VII of Public Law (Pub. L.) 100-656, the “Small Business Competitiveness Demonstration Program Act of 1988.” The test authority of Section 15 of the Office of Federal Procurement Policy (OFPP) Act (41 U.S.C. 413) guides the Program.

The Program applies to 10 agencies: the Departments of Agriculture, Defense, Energy, Health and Human Services, Interior, Transportation, and Veterans Affairs; the Environmental Protection Agency; the General Services Administration; and the National Aeronautics and Space Administration. (The Department of the Interior was added to the nine agencies originally covered by the Program by Pub. L. 101-37, the “Business Opportunity Development Reform Act Technical Corrections Act,” on June 15, 1989.)

The Program generally eliminates small business set-asides for Federal procurements with an anticipated award value of more than \$25,000 in four DIGs. The DIGs are:

- Construction (further broken out into Construction Group 15, Building Construction—General Contractors and Operators; Construction Group 16, Heavy

Construction Other Than Building Construction—Contractors; and Construction Group 17, Special Trade Contractors);

- Refuse Systems and Related Services;
- A&E Services, including Surveying and Mapping Services; and
- Non-nuclear Ship Repair.

The agencies, however, can award contracts in each of the DIGs under Section 8(a) of the Small Business Act, the HUBZone and Empowerment Contracting Program, and Section 7102 of the Federal Streamlining Acquisition Act (10 USC 2323).

The Program provides a significant “floor” of protection for small businesses by requiring participating agencies to conduct annual reviews based on the experience of the previous fiscal year (October 1 through September 30) and to reinstitute small business set-asides for any DIG in which a 40 percent small business participation goal was not achieved. (For A&E Services, a 35 percent small business participation goal was temporarily in effect between FY 1992 through FY 1998.) In addition, set-asides would be reinstated for any individual Product and Service Code (PSC) or Standard Industrial Classification (SIC) code within any of the DIGs if the small business participation share for that code fell below 35 percent over the previous completed fiscal year. Agencies reinstitute set-asides only to the extent necessary to attain these goals, and return to full and open competition upon attaining the goals. In practice, some subagencies of larger agencies were required to reinstitute set-asides for some DIGs or individual PSC or SIC codes within any of the DIGs while other subagencies would continue with full and open competition. Modifications to agency solicitation practices (either reinstating small business set-asides or reestablishing full and open competition) must be made as soon as practicable, but no later than 30 days after the completion of the annual review.

The Program also requires a 15 percent participation goal for emerging small businesses within each DIG. These are small businesses whose size is no greater than 50 percent of the SBA’s small business size standard applicable to the procurement. To assist in attaining this goal, all Federal contracts valued at \$25,000 or less must be reserved for competition among emerging small businesses. This reserve threshold amount of \$25,000, however, is subject to annual adjustment if a participating agency falls below 15 percent in a DIG. Such an adjustment has been necessary for only one DIG, A&E Services. Effective October 15, 1991, the emerging small business reserve threshold amount increased to \$50,000 for A&E Services for all participating agencies.

Each agency, in conjunction with the SBA, must select 10 TICs for increased small business participation as measured by the percent of contract dollars. A TIC must have had historically low rates of small business participation. The selected TICs have varied over time for some agencies in order to have TICs in which the agency anticipates that there will be meaningful contracting opportunities over the next year.

Reporting Requirements

Participating agencies must report to the SBA on their goal attainment in each DIG and TIC no later than January 31 based on data for the preceding fiscal year. SBA reviews the activities of the participating agencies through these annual reports. Beginning in fiscal year 1993, the participating agencies must also report contract awards to small disadvantaged businesses (SDB), although the Program does not specify a specific goal for SDB participation.

Program Amendments

The Small Business Competitiveness Demonstration Program Act of 1988 was amended by the Small Business Reauthorization Act of 1997 (Pub. L. 105-135, Section 401) to make the Program permanent. The Program had twice been extended from the original end date of December 31, 1992¹. Section 402 of Pub. L. 105-135 modified the frequency of monitoring attainment of small business participation goals from a quarterly basis to an annual basis, based on data from October 1 through September 30 of each year. The participating agencies will review their results and provide reports to the SBA by not later than January 31 of each year. OFPP and SBA published an Interim Policy Directive in the *Federal Register* on September 29, 1998, incorporating these changes to the Program (63 FR 51981) and a Final Policy Directive on June 2, 1999 (64 FR 29693). Appendix D of this report contains copies of these directives.

The interim and final policy directives made several other changes to the Program. First, the directives remove the requirement to implement a system to collect subcontracting data for A&E Services. That statutory requirement expired on September 30, 1997. Second, the directives remove the temporary 35 percent small business participation goal for A&E Services since it was contingent on the subcontracting data collection systems. Third, the directives authorize prime contract awards to small businesses under the HUBZone and Empowerment Contracting Program to count toward goal attainment (HUBZone Act of 1997, Title VI the Small Business Reauthorization Act, Public Law 105-135). Furthermore, participating agencies may set aside procurements in the DIGs under the HUBZone and Empowerment Contracting Program even though the small business and emerging small business participation goals are met by an agency. Lastly, the final policy directive allows agencies to monitor their 40 percent goal

¹ The Small Business Credit and Business Opportunity Enhancement Act of 1992 (Pub. L. 102-366) extended the Program which was originally scheduled to end on December 31, 1992, through September 30, 1996. The Program was again extended through September 30, 1997, as amended by the Omnibus Consolidation Appropriations Act (Public Law 104 – 208, Division D, Section 108).

attainment for Non-nuclear Ship Repair separately for east coast and west coast contract awards.

Historical Data

This report provides and discusses new information for FY 1998 on small business awards in the DIGs and TICs. This report also contains data on Federal contract awards to emerging small businesses and small disadvantaged businesses in the DIGs. For comparative purposes, the discussion of the agencies' results for FY 1998 will be compared to the results reported for FY 1997. The discussion of the participating agencies' results in this report simply describes the trends in participation of small businesses, emerging small businesses, and small disadvantaged businesses during FY 1998 in the industries affected by the Program and does not attempt to analyze why those trends occurred. The appendices to the report contain historical data on the Program.

CHAPTER 2

SMALL BUSINESS, EMERGING SMALL BUSINESS, AND SMALL DISADVANTAGED BUSINESS CONTRACT DOLLARS IN THE DESIGNATED INDUSTRY GROUPS

All Agencies

Achievement of Participation Goals

A review of the FY 1998 small business and emerging small business participation rates in the DIGs for the 10 participating agencies combined shows that they were generally successful in achieving the 40 percent participation goal for small business and the 15 percent participation goal for emerging small business. For Construction, Refuse Systems, and Non-nuclear Ship Repair, the combined small business participation rates exceeded 40 percent for FY 1998. Similarly, for Construction, Refuse Systems, and Non-nuclear Ship Repair, the combined emerging small business participation rates exceeded 15 percent. A&E Services was the only DIG in which the combined agencies did not achieve the participation goals. Small business participation was just below 20 percent in FY 1998—a little more than half of the 35 percent A&E Services small business participation goal. The emerging small business category was less than 6 percent—just above one-third of the 15 percent emerging small business participation goal.

Small Business and Emerging Small Business Participation Rate Trends

Between FY 1997 and FY 1998, changes in participation rates did not show a consistent trend, but rather, varied by DIG and by small business and emerging small business categories. Tables 2-1 and 2-2 show the participation rates for small business and emerging small business by DIG for FY 1997-98. Most changes were relatively minor, or within 5 percentage points or less between the two fiscal years. The most noteworthy change in small business participation occurred in Refuse Systems, where participation decreased more than 8 percentage points. Emerging small business participation in FY 1998 changed significantly only in Non-nuclear Ship Repair, where participation increased by 7 percentage points.

Table 2-1
Small Business Participation Percentage
by Designated Industry Group--All Agencies

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	41.1	45.9	4.8
Construction Group 16	49.7	47.4	(2.3)
Construction Group 17	64.9	69.7	4.8
Refuse Systems	62.8	54.5	(8.3)
A&E Services	21.5	19.9	(1.6)
Non-nuclear Ship Repair	57.2	57.6	0.4

Table 2-2
Emerging Small Business Participation Percentage
by Designated Industry Group--All Agencies

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	15.2	16.7	1.5
Construction Group 16	23.9	19.6	(4.3)
Construction Group 17	36.5	33.8	(2.7)
Refuse Systems	30.1	27.3	(2.8)
A&E Services	7.0	5.7	(1.3)
Non-nuclear Ship Repair	35.7	42.8	7.1

Small Disadvantaged Business Participation

Table 2-3 shows participation rates for SDBs by DIG for FY 1997-98. The FY 1998 SDB participation rates stayed close to 1 percentage point from the FY 1997 levels for all but one DIG. The largest change occurred in Non-nuclear Ship Repair, where SDB participation increased by 7 percentage points.

Table 2-3
Small Disadvantaged Business Participation Percentage
by Designated Industry Group--All Agencies

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	14.5	15.2	0.7
Construction Group 16	13.3	12.3	(0.9)
Construction Group 17	25.3	24.1	(1.2)
Refuse Systems	14.0	12.5	(1.5)
A&E Services	5.7	5.1	0.6
Non-nuclear Ship Repair	5.4	12.4	7.0

Achievement of Goals by the Participating Agencies

Although the overall participation rates of the 10 participating agencies provide useful information, they do not reveal the performance of individual agencies in achieving the small business and emerging small business participation goals. Table 2-4 show the number of participating agencies achieving the small business participation goal for each DIG during FY 1997-98. Most agencies did not achieve the A&E Services 35 percent small business participation goal. For the Construction and Refuse Systems DIGs, most agencies met the 40 percent small business participation goal, with all participating agencies achieving the goal for Construction Group 17. However, 2 fewer agencies met the small business participation goal in FY 1998 for Construction Group 16 and Refuse Systems than in FY 1997. During FY 1998, only 2 agencies made contract awards for Non-nuclear Ship Repair while three agencies had contract awards in this DIG in FY 1997. For both fiscal years, the agencies making awards met the emerging small business participation goals.

Table 2-4
Number of Agencies Achieving Small Business Participation Goals

<i>Period</i>	<i>Construction Group 15</i>	<i>Construction Group 16</i>	<i>Construction Group 17</i>	<i>Refuse Systems</i>	<i>A & E Services</i>	<i>Non-nuclear Ship Repair</i>
FY 1997	7	10	9	8	4	3
FY 1998	7	8	10	6	4	2

Table 2-5 lists the number of agencies achieving the 15 percent emerging small business participation goal by DIG during FY 1997-98. Most agencies did not achieve the Refuse Systems or A&E Services emerging small business participation goal. Three fewer agencies met the Refuse Systems emerging small business goal in FY 1998 than in the previous fiscal year. For the Construction Groups, half or more of the agencies met the

emerging small business participation goal. Only 2 agencies made contract awards for Non-nuclear Ship Repair for FY 1998 and three agencies in FY 1997. For both fiscal years, the agencies making awards met the emerging small business participation goal.

Table 2-4
Number of Agencies Achieving Emerging Small Business Participation Goals

<i>Period</i>	<i>Construction Group 15</i>	<i>Construction Group 16</i>	<i>Construction Group 17</i>	<i>Refuse Systems</i>	<i>A & E Services</i>	<i>Non-nuclear Ship Repair</i>
FY 1997	4	9	7	7	2	3
FY 1998	5	8	7	4	2	2

The remainder of this chapter summarizes the results for the 10 participating agencies. Appendix A contains contract award data on small, emerging and small disadvantaged businesses from FY 1989 through FY 1998.

Department of Agriculture

Achievement of Participation Goals

The Department of Agriculture's results show that it met the small business and emerging small business participation goals for most DIGs in FY 1998 (see Table 2-6). Agriculture did not achieve either the small business or emerging small business participation goals for Construction Group 15. It also did not achieve the A&E Services emerging small business participation goal. Agriculture reported no contracting activity for Non-nuclear Ship Repair.

Table 2-6
Achievement of Participation Goals
by the Department of Agriculture

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	No	No
Construction Group 16	Yes	Yes
Construction Group 17	Yes	Yes
Refuse Systems	Yes	Yes
A&E Services	Yes	No

Small Business and Emerging Small Business Participation

Agriculture's FY 1998 small business and emerging small business participation rates varied significantly from the FY 1997 rates in every DIG, except Refuse Systems (see Tables 2-7 and 2-8). During FY 1998, Agriculture's small business and emerging small business participation were among the highest of the participating agencies in Construction Group 16 and Refuse Systems, and among the highest for emerging small business in Construction Group 17. For Construction Group 15, participation rates for both categories decreased below half of their previous levels, causing the agency to fall below the participation goals. Participation rates also declined significantly in Construction Group 17, although it was among the highest participation rates of the participating agencies. Significant increases in participation rates occurred in Construction Group 16 and A&E Services. The increase in A&E Services small business participation boosted the agency over that DIG's participation goal.

Table 2-7
Percent Participation by Small Business
by Designated Industry Group--Agriculture

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	62.5	26.9	(35.6)
Construction Group 16	82.5	88.9	6.4
Construction Group 17	95.7	77.3	(18.4)
Refuse Systems	86.1	86.9	0.8
A&E Services	9.5	38.9	29.4

Table 2-8
Percent Participation by Emerging Small Business
by Designated Industry Group--Agriculture

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	30.7	9.3	(21.4)
Construction Group 16	50.9	56.6	5.7
Construction Group 17	73.0	67.3	(5.7)
Refuse Systems	32.0	31.1	(0.9)
A&E Services	5.2	12.5	7.3

Small Disadvantaged Business Participation

Agriculture's SDB results for FY 1998 also showed significant changes from FY 1997 levels for most DIGs (see Table 2-9). Agriculture's SDB participation tended to be similar or below the SDB participation rates of the other participating agencies. No Refuse Systems contract awards were made to SDBs in FY 1998, and a significantly decrease in participation occurred in Construction Group 15. Construction Group 17 was the only DIG with a significant increase in SDB participation.

Table 2-9
Percent Participation by Small Disadvantaged Business
by Designated Industry Group--Agriculture

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	19.1	5.3	(13.8)
Construction Group 16	11.1	10.2	(0.9)
Construction Group 17	6.4	20.2	13.8
Refuse Systems	17.7	0	(17.7)
A&E Services	0.5	0.6	0.1

Department of Defense

Achievement of Participation Goals

A review of the small business and emerging small business participation rates in the DIGs for FY 1998 shows that the Department of Defense (DoD) was generally successful in achieving the 40 percent participation goal for small business and the 15 percent participation goal for emerging small business (see Table 2-10). DoD was able to reach both participation goals for 2 of the three Construction DIGs (Construction Groups 15 and 17), Refuse Systems, and Non-nuclear Ship Repair. For Construction Group 16, DoD fell just short of the small business participation goal, achieving 39 percent for small business, but it did meet the emerging small business participation goal. The only DIG where DoD did not meet either participation goal was in A&E Services.

Table 2-10
Achievement of Participation Goals
by the Department of Defense

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	Yes	Yes
Construction Group 16	No	Yes
Construction Group 17	Yes	Yes
Refuse Systems	Yes	Yes
A&E Services	No	No
Non-nuclear Ship Repair	Yes	Yes

Small Business and Emerging Small Business Participation

DoD's FY 1998 small business participation rates were similar to its FY 1997 levels for most DIGs (see Tables 2-11 and 2-12). The most significant change occurred in Refuse Systems, where participation decreased by 10 percentage points, but DoD's participation was still among the highest participation rates of the participating agencies. Emerging small business participation rates changed significantly in Construction Group 17, which decreased more than 5 percentage points.

Table 2-11
Percent Participation by Small Business
by Designated Industry Group--DoD

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	39.2	40.8	1.6
Construction Group 16	41.8	39.3	(2.5)
Construction Group 17	65.1	65.3	0.2
Refuse Systems	64.8	54.7	(10.1)
A&E Services	19.1	16.8	(2.3)
Non-nuclear Ship Repair	52.6	48.5	(4.1)

Table 2-12
Percent Participation by Emerging Small Business
by Designated Industry Group--DoD

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	15.7	18.2	2.5
Construction Group 16	19.3	15.6	(3.7)
Construction Group 17	37.8	32.3	(5.5)
Refuse Systems	31.5	30.8	(0.7)
A&E Services	5.5	4.9	(0.6)
Non-nuclear Ship Repair	32.5	33.3	0.8

Small Disadvantaged Business Participation

SDB participation rates in FY 1998 were similar to the FY 1997 levels for most DIGs (see Table 2-13). Compared to the other participating agencies, DoD's had higher SDB participation in Refuse Systems and similar or slightly lower SDB participation in the other DIGs. The most significant change occurred in Non-nuclear Ship Repair, where participation increased more than 5 five percentage points.

Table 2-13
Percent Participation by Small Disadvantaged Business
by Designated Industry Group-DoD

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	14.4	16.1	2.5
Construction Group 16	9.2	9.4	0.2
Construction Group 17	22.9	18.7	(4.2)
Refuse Systems	14.2	14.4	(0.2)
A&E Services	3.9	3.5	(0.4)
Non-nuclear Ship Repair	4.4	10.1	5.7

Department of Energy

Achievement of Participation Goals

The Department of Energy experienced limited success in achieving the small business and emerging small business participation goals for the DIGs during FY 1998 (see Table 2-14). Energy exceeded the 40 percent participation goal for small business and the 15 percent participation goal for emerging small business for only 2 DIGs—Construction Groups 15 and 17. Energy reported no contracting activity for Non-nuclear Ship Repair.

Table 2-14
Achievement of Participation Goals
by the Department of Energy

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	Yes	Yes
Construction Group 16	No	No
Construction Group 17	Yes	Yes
Refuse Systems	No	No
A&E Services	No	No

Small Business and Emerging Small Business Participation

Energy's small business and emerging small business participation rates varied significantly by DIG from FY 1997 to FY 1998 (see Tables 2-15 and 2-16). A relatively low amount of contracting within the DIGs causes these fluctuations. Energy, however, was able to achieve a higher proportion of small business contracting in 2 Construction DIGs—Groups 15 and 17—than any other participating agency. Energy had only 1 Refuse Systems award during FY 1998, resulting in a significant decline in small business and emerging small business participation.

Table 2-15
Percent Participation by Small Business
by Designated Industry Group--Energy

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	100.0	100.0	0
Construction Group 16	65.2	12.7	(52.5)
Construction Group 17	63.6	95.3	31.7
Refuse Systems	100.0	11.9	(88.1)
A&E Services	0.1	0.9	0.8

Table 2-16
Percent Participation by Emerging Small Business
by Designated Industry Group--Energy

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	100.0	86.5	(13.5)
Construction Group 16	37.3	5.5	(31.8)
Construction Group 17	48.7	47.2	(0.5)
Refuse Systems	100.0	11.9	(88.1)
A&E Services	0.1	0	(0.1)

Small Disadvantaged Participation

SDB participation did not fluctuate as greatly as small business and emerging small business participation, but still experienced significant change from FY 1997 to FY 1998 (see Table 2-17). SDB participation significantly increased in Construction Group 17 and Refuse Systems, and significantly decreased in Construction Group 16. Energy reported the highest SDB participation in Construction Group 15 among the participating agencies. Energy reported no SDB contract awards in A&E Services.

Table 2-17
Percent Participation by Small Disadvantaged Business by
Designated Industry Group--Energy

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	82.8	83.4	0.6
Construction Group 16	9.5	4.2	(5.3)
Construction Group 17	10.4	30.0	19.6
Refuse Systems	0	11.9	11.9
A&E Services	0	0	0

Environmental Protection Agency

Achievement of Participation Goals

The Environmental Protection Agency (EPA) reported limited success in achieving its small business participation goals in the four DIGs with contracting activity in fiscal year 1998 (see Table 2-18). Only for Construction Groups 16 and 17 did small business participation exceed the 40 percent small business participation goal. It did not achieve the emerging small business participation goal in any DIG. EPA reported no contracting activity for Refuse Systems or Non-nuclear Ship Repair during FY 1998.

Table 2-18
Achievement of Participation Goals by EPA

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	No	No
Construction Group 16	Yes	No
Construction Group 17	Yes	No
A&E Services	No	No

Small Business and Emerging Small Business Participation

EPA's small business participation rates fluctuated greatly between FY 1997 and FY 1998 (see Tables 2-19 and 2-20). In the Construction DIGs, EPA made a relatively small amount of contract awards, which tends to result in large changes in participation rates from year to year. Only in the A&E Services did EPA have a significant amount of contracting; however, small businesses received very few contracts. In Construction Groups 16 and 17, EPA had among the highest level of small business participation among the participating agencies. EPA reported no emerging small business contract awards in any DIG.

Table 2-19
***Percent Participation by Small Business
by Designated Industry Group--EPA***

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	80.8	25.2	(55.6)
Construction Group 16	100.0	100.0	0
Construction Group 17	47.4	93.3	45.9
A&E Services	1.2	1.2	0

Table 2-20
Percent Participation by Emerging Small Business
by Designated Industry Group-EPA

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	0	0	0
Construction Group 16	0	0	0
Construction Group 17	0.8	0	(0.8)
A&E Services	0	0	0

Small Disadvantaged Business Participation

EPA significantly increased its SDB participation in the three Construction DIGs in FY 1998 (see Table 2-21). SDB awards accounted for almost all of EPA's small business awards in Construction Group 15 and A&E Services.

Table 2-21
Percent Participation by Small Disadvantaged Business
by Designated Industry Group--EPA

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	0	25.1	25.1
Construction Group 16	0	37.8	37.8
Construction Group 17	20.1	33.2	13.2
A&E Services	0.3	1.1	0.7

General Services Administration

Achievement of Participation Goals

The General Services Administration (GSA) had limited success in achieving the small business and emerging small business participation goals in FY 1998 (see Table 2-22). Only in Construction Group 16 did GSA achieve both participation goals. It met only the small business participation goal in Construction Group 17. GSA reported no contracting activity for Non-nuclear Ship Repair.

Table 2-22
Achievement of Participation Goals by GSA

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	No	No
Construction Group 16	Yes	Yes
Construction Group 17	Yes	No
Refuse Systems	No	No
A&E Services	No	No

Small Business and Emerging Small Business Participation

GSA's small business and emerging small business participation rates declined for most DIGs from FY 1997 to FY 1998 (see Tables 2-23 and 2-24). The only significant increase in participation occurred for emerging small business in Construction Group 16, where participation increased over 30 percentage points. GSA had among the highest rate of small business and emerging small business participation in Construction Group 16 of the participating agencies. The largest decrease in small business participation occurred in Refuse Systems—almost a 32 percentage point decline. However, GSA awarded less than \$300,000 in contracts for that DIG since most contracting for Refuse Systems is through its facilities management contracts.

Table 2-23
Percent Participation by Small Business
by Designated Industry Group—GSA

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	29.3	25.1	(4.2)
Construction Group 16	100.0	100.0	0
Construction Group 17	69.5	70.6	1.1
Refuse Systems	67.1	35.6	(31.6)
A&E Services	26.9	14.0	(12.9)

Table 2-24
Percent Participation by Emerging Small Business
by Designated Industry Group--GSA

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	13.6	9.3	(4.3)
Construction Group 16	60.4	90.6	30.2
Construction Group 17	37.9	33.2	(4.7)
Refuse Systems	15.0	6.2	(8.8)
A&E Services	11.9	5.0	(6.9)

Small Disadvantaged Business Participation

SDB participation followed the overall declining trends of small business and emerging small business participation (see Table 2-25). However, it experienced a large increase in SDB participation in Construction Group 16, and was the highest SDB participation for any DIG among all the participating agencies.

Table 2-25
Percent Participation by Small Disadvantaged Business
by Designated Industry Group--GSA

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	16.8	7.9	(8.9)
Construction Group 16	44.4	96.1	42.8
Construction Group 17	21.2	19.6	(1.6)
Refuse Systems	40.1	4.4	(35.7)
A&E Services	4.7	0.6	(4.1)

Department of Health and Human Services

Achievement of Participation Goals

The Department of Health and Human Services (HHS) met the small business participation goal in all DIGs in which it had awarded contracts in FY 1998 (see Table 2-26). HHS was able to achieve the emerging small business participation goal for three DIGs. It fell under the emerging small business goal for Construction Group 17 and Refuse System. HHS reported no contracting activity for Non-nuclear Ship Repair.

Table 2-26
Achievement of Participation Goals by HHS

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	Yes	Yes
Construction Group 16	Yes	Yes
Construction Group 17	Yes	No
Refuse Systems	Yes	No
A&E Services	Yes	Yes

Small Business and Emerging Small Business Participation

HHS' small business and emerging small business participation rates changed greatly from FY 1997 to FY 1998 for each DIG (see Tables 2-27 and 2-28). Small business participation increased over 40 percentage points in Construction Groups 15 and 17 and decreased over 30 percentage points in Construction Group 16. HHS had among the highest A&E Services small business and emerging small business participation rates of the participating agencies, with emerging small business participation going from no contract awards in FY 1997 to almost 30 percent of contract dollars in FY 1998. The opposite occurred in Refuse System where emerging small businesses received 15 percent of contract dollars in FY 1997 to no contract awards in FY 1998. The largest change of all occurred in Construction Group 16 where emerging small business participation fell by almost 60 percentage points from FY 1997 to FY 1998.

Table 2-27
Percent Participation by Small Business
by Designated Industry Group--HHS

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	33.6	80.4	46.8
Construction Group 16	94.9	63.9	(31.0)
Construction Group 17	8.8	49.8	41.0
Refuse Systems	75.7	81.2	5.5
A&E Services	72.4	63.8	(8.6)

Table 2-28
Percent Participation by Emerging Small Business
by Designated Industry Group-HHS

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	5.8	19.3	13.5
Construction Group 16	82.6	23.6	(59.0)
Construction Group 17	0.4	5.0	4.6
Refuse Systems	15.1	0	(15.1)
A&E Services	0	29.5	29.5

Small Disadvantaged Business Participation

SDB participation also showed large fluctuations in participation rates between FY 1997 and FY 1998 (see Table 2-29). The most significant changes were declines in participation in Construction Group 16 and A&E Services of over 50 percentage points and 20 percentage points, respectively. Despite the decline in A&E Services, SDB participation was over three times higher than any other participating agency.

Table 2-29
Percent Participation by Small Disadvantaged Business
by Designated Industry Group-HHS

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	23.5	30.1	6.6
Construction Group 16	87.4	30.8	(56.6)
Construction Group 17	3.2	18.1	14.9
Refuse Systems	15.3	6.1	(9.2)
A&E Services	67.8	46.3	(21.5)

Department of Interior

Achievement of Participation Goals

The Department of the Interior achieved the small business and emerging small business participation goals in all DIGs except A&E Services during FY 1998 (see Table 2-30). Unlike previous years, Interior had no contract awards for Non-nuclear Ship Repair.

Table 2-30
Achievement of Participation Goals by Interior

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	Yes	Yes
Construction Group 16	Yes	Yes
Construction Group 17	Yes	Yes
Refuse Systems	Yes	Yes
A&E Services	No	No

Small Business and Emerging Small Business Participation

Interior's small business and emerging small business participation rates varied by DIG from FY 1997 to FY 1998 (see Tables 2-31 and 2-32). Interior's emerging small business participation was among the highest of the participating agencies in three DIGs—Construction Groups 15 and 17 and Refuse Systems. Small business and emerging small business participation increased significantly in Construction Group 16. Participation rates moved in opposite directions in Refuse Systems, where small business participation declined by 16 percentage points and emerging small business participation increased by almost an equal amount.

Table 2-31
***Percent Participation by Small Business
by Designated Industry Group--Interior***

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	77.1	79.9	2.8
Construction Group 16	57.7	66.7	9.0
Construction Group 17	91.8	83.1	(8.7)
Refuse Systems	55.6	40.7	(14.9)
A&E Services	28.1	26.3	(1.8)

Table 2-32
Percent Participation by Emerging Small Business
by Designated Industry Group--Interior

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	51.1	50.8	(0.3)
Construction Group 16	23.9	37.4	13.5
Construction Group 17	65.6	66.6	1.0
Refuse Systems	32.8	48.9	16.1
A&E Services	6.9	8.8	1.9

Small Disadvantaged Business Participation

The most significant change in SDB participation rates between FY 1997 and FY 1998 occurred in Construction Groups 15 and 17, where participation declined by more than 13 percentage points (see Table 2-33). Participation rates in the three remaining DIGs were similar in both fiscal years. Overall, Interior's SDB participation rates were near the average rates for all participating agencies.

Table 2-33
Percent Participation by Small Disadvantaged Business
by Designated Industry Group--Interior

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	29.0	15.1	(13.9)
Construction Group 16	22.5	23.5	1.0
Construction Group 17	35.3	22.2	(13.1)
Refuse Systems	12.3	9.7	(2.6)
A&E Services	1.1	2.9	1.8

National Aeronautics and Space Administration

Achievement of Participation Goals

During FY 1998, the National Aeronautics and Space Administration (NASA) met the small business participation for all DIGs in which it had contract awards, but met the emerging small business participation goal for only 2 DIGs (see table 3-34). NASA reported no contracting activity for Non-nuclear Ship Repair.

Table 2-34
Achievement of Participation Goals by NASA

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	Yes	No
Construction Group 16	Yes	Yes
Construction Group 17	Yes	Yes
Refuse Systems	Yes	No
A&E Services	Yes	No

Small Business and Emerging Small Business Participation

NASA's small business and emerging small business participation rates in FY 1998 were similar to the FY 1997 rates for most DIGs (see Tables 2-35 and 2-36). The most significant change occurred in Refuse Systems, where both small business and emerging small business experienced large increases in participation. The only significant decrease occurred for small business in Construction Group 17.

Table 2-35
***Percent Participation by Small Business
by Designated Industry Group-NASA***

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	55.4	58.4	3.0
Construction Group 16	92.8	86.9	(5.9)
Construction Group 17	61.3	51.1	(10.2)
Refuse Systems	52.0	73.0	21.0
A&E Services	42.3	41.0	(1.3)

Table 2-36

***Percent Participation by Emerging Small Business
by Designated Industry Group--NASA***

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	6.2	9.4	3.2
Construction Group 16	26.0	23.3	(2.7)
Construction Group 17	12.3	15.2	2.9
Refuse Systems	1.4	9.6	8.2
A&E Services	15.3	12.6	2.7

Small Disadvantaged Business Participation

SDB participation showed more variation between FY 1997 and FY 1998 than the small business and emerging small business participation rates (see Table 2-37). Significant decreases occurred in Construction Groups 16 and 17 and in A&E Services. The only significant increase occurred in Construction Group 15. NASA's SDB participation was the highest among the participating agencies in Refuse Systems.

***Table 2-37
Percent Participation by Small Disadvantaged Business
by Designated Industry Group--NASA***

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	26.7	34.3	7.6
Construction Group 16	34.6	19.5	(15.1)
Construction Group 17	16.7	9.9	(6.8)
Refuse Systems	52.0	54.1	2.1
A&E Services	20.7	12.8	(7.9)

Department of Transportation

Achievement of Participation Goals

The Department of Transportation had mixed success in achieving the small business and emerging small business participation goals for the DIG during FY 1998 (see table 2-38). It met the small business and emerging small participation goals in Construction Groups 16 and 17 and Non-nuclear Ship Repair, but not in Refuse Systems and A&E Services. For Construction Group 15, it met the small business goal but not the emerging small business participation goal.

Table 2-38
Achievement of Participation Goals by Transportation

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	Yes	No
Construction Group 16	Yes	Yes
Construction Group 17	Yes	Yes
Refuse Systems	No	No
A&E Services	No	No
Non-nuclear Ship Repair	Yes	Yes

Small Business and Emerging Small Business Participation

For most DIGs, Transportation's small business and emerging small business participation rates changed significantly from FY 1997 to FY 1998 (see Tables 2-39 and 2-40). Small business participation increased more than 9 percentage points in Construction Group 17, and was among the highest of the participating agencies. Refuse Systems small business participation increased by almost 10 percentage points, falling just under the participation goal. Small business participation declined over 12 percentage points in Construction Group 16 and A&E Services. Emerging small business participation likewise decreased significantly in Construction Group 16 (over 17 percentage points), while participation increased by more than 13 percentage points in Non-nuclear Ship Repair.

Table 2-39
Percent Participation by Small Business
by Designated Industry Group--Transportation

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	62.8	68.1	5.3
Construction Group 16	63.3	50.5	(12.8)
Construction Group 17	78.5	87.5	9.0
Refuse System	30.0	39.9	9.9
A&E Services	36.3	24.1	(12.2)
Non-nuclear Ship Repair	81.4	80.2	(1.2)

Table 2-40
Percent Participation by Emerging Small Business
by Designated Industry Group--Transportation

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	11.4	11.4	0
Construction Group 16	33.0	15.5	(17.5)
Construction Group 17	20.3	26.0	5.7
Refuse System	9.6	12.4	2.8
A&E	3.7	1.7	(2.0)
Non-nuclear Ship Repair	53.1	66.7	13.6

Small Disadvantaged Participation

SDB participation rates also varied by DIG between FY 1997 and FY 1998 (see table 2-41). The largest increase was in Non-nuclear Ship Repair and the largest decrease in A&E Services. Overall, Transportation's SDB participation rates were near the average rates of all participating agencies.

Table 2-41
Percent Participation by Small Disadvantaged Business
by Designated Industry Group--Transportation

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	13.1	11.6	(1.5)
Construction Group 16	17.7	11.8	(5.9)
Construction Group 17	20.0	23.5	3.5
Refuse System	0	3.4	3.4
A&E	17.5	10.6	(6.9)
Non-nuclear Ship Repair	11.0	18.3	7.3

Department of Veterans Affairs

Achievement of Participation Goals

The Department of Veterans Affairs (DVA) met the small business and emerging small business participation goals for all DIGs in which it had awarded contracts in FY 1998—the only participating agency to accomplish this result (see Table 2-42). DVA had no contract awards for Non-nuclear Ship Repair.

Table 2-42
Achievement of Participation Goals
by the Department of Veterans Affairs

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	Yes	Yes
Construction Group 16	Yes	Yes
Construction Group 17	Yes	Yes
Refuse Systems	Yes	Yes
A&E Services	Yes	Yes

Small Business and Emerging Small Business Participation

DVA's small business and emerging small business participation rates varied by DIG from FY 1997 to FY 1998. Small business and emerging small business participation were among the highest of the participating agencies in Construction Groups 16 and 17 and A&E Services. Significant increases in small business and emerging small business participation occurred in Construction Group 15. While still at relatively high small business and emerging small business participation, significant decreases nonetheless occurred for both groups in A&E Services. Also, emerging small business significantly increased in Construction Group 16, but declined significantly in Construction Group 17.

Table 2-43
Percent Participation by Small Business
by Designated Industry Group--DVA

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	56.8	69.1	12.3
Construction Group 16	96.2	98.6	2.4
Construction Group 17	86.6	87.0	0.4
Refuse Systems	45.4	47.8	2.4
A&E Services	72.5	52.4	(20.1)

Table 2-44
Percent Participation by Emerging Small Business
by Designated Industry Group--DVA

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	8.8	17.6	8.8
Construction Group 16	46.5	74.2	27.7
Construction Group 17	66.5	50.5	(16.0)
Refuse Systems	27.2	24.8	(2.4)
A&E Services	41.4	30.1	(11.3)

Small Disadvantaged Participation

SDB participation also varied by DIG from FY 1997 to FY 1998 (see Table 2-45). SDB participation increased by more than twice its participation in Construction Group 15. SDB participation declined significantly in Construction Group 17, but was still the highest of any participating agency. DVA's SDB participation was also among the highest of the participating agencies in Construction Group 16 and A&E Services.

Table 2-45
Percent Participation by Small Disadvantaged Business
by Designated Industry Group--DVA

Designated Industry Group	FY 1997	FY 1998	Percentage Point Change
Construction Group 15	6.4	15.1	8.7
Construction Group 16	60.3	63.4	3.1
Construction Group 17	62.8	49.7	(13.1)
Refuse Systems	5.0	4.7	(0.3)
A&E Services	18.3	14.1	(4.2)

CHAPTER 3

NUMBER OF SMALL BUSINESS AND EMERGING SMALL BUSINESS CONTRACT ACTIONS IN THE DESIGNATED INDUSTRY GROUPS

This chapter examines small business and emerging small business participation by the volume of Federal contracting opportunities in each DIG. During FY 1998, the volume of contract actions increased in each DIG (see Table 3-1). Small businesses received about two-thirds or more of contract actions in the Construction, Refuse Systems, and Non-nuclear Ship Repair DIGs (see Table 3-2 below). Emerging small business obtained about one-third to one-half of contract actions in these DIGs (see Table 3-3 below). About 35 percent of total contract actions were awarded to small businesses and about 12 percent to emerging small businesses in the A&E Services DIG.

For all of the DIGs, the small business share of contract actions declined from the end of FY 1997 through the end of FY 1998. These trends were particularly strong for the Construction DIGs. For Construction Group 15, the small business share fell 4 percentage points from FY 1997 to FY 1998. Over the same 1 year period, the share for Construction Group 16 fell 2 percentage points, while for Construction Group 17, it fell 9 percentage points. These consistent declines have occurred over the course of the entire program for all three of these DIGs, and are among the lowest share of contract actions received by small businesses during the Program.

Decreases in the share of contract actions to emerging small businesses occurred for all of the Construction DIGs. For Construction Group 15, the share declined 5 percentage points from FY 1997 to FY 1998; for Construction Group 16 the share fell 3 percentage points; while for Construction Group 17 the emerging small business share declined 8 percentage points. The share of total contract actions to emerging small business fell significantly since FY 1991 in all of the Construction DIGs.

Similar to the Construction DIGs, the small business share of contract actions for Refuse Systems fell from FY 1997 to FY 1998, declining 3 percentage points. The emerging small business share of total actions also declined, falling by 5 percentage points.

The small business share of contract actions for A&E Services fell 4 percentage points from FY 1997 to FY 1998. The emerging small business share of this DIG, however, remained unchanged at 12 percent for both fiscal years.

Similar to the other DIGs, the small business share of contract actions for Non-nuclear Ship Repair fell 5 percentage points from FY 1997 to FY 1998. The emerging small business share, however, increased 1 percentage point.

Appendix B contains contract actions on small business and emerging small business for each of the participating agencies and all agencies combined.

Table 3-1
Total Number of Awards by Designated Industry Group
(Number of Actions in Thousands)

Fiscal Year	Construction Group 15	Construction Group 16	Construction Group 17	Refuse Systems	A&E Services	Non-Nuclear Ship Repair.
1997	21.1	12.2	23.0	1.7	11.4	6.2
1998	30.0	13.1	25.3	2.1	14.2	8.5

Table 3-2
Number and Percentage of Small Business Awards by Designated Industry Group
(Number of Actions in Thousands)

Fiscal Year	Construction Group 15	Construction Group 16	Construction Group 17	Refuse Systems	A&E Services	Non-Nuclear Ship Repair
1997	13.9 (66%)	8.5 (70%)	19.2 (84%)	1.0 (58%)	4.4 (39%)	4.7 (76%)
1998	18.7 (62%)	8.9 (68%)	19.1 (75%)	1.1 (55%)	4.9 (35%)	6.1 (71%)

Table 3-3
Number and Percentage of Emerging Small Business Awards by Designated Industry Group
(Number of Actions in Thousands)

Fiscal Year	Construction Group 15	Construction Group 16	Construction Group 17	Refuse Systems	A&E Services	Non-Nucl. Ship-Repair
1997	7.2 (34%)	5.1 (42%)	11.7 (51%)	0.6 (35%)	1.4 (12%)	3.2 (52%)
1998	8.8 (29%)	5.1 (39%)	11.0 (43%)	0.6 (30%)	1.7 (12%)	4.6 (53%)

CHAPTER 4

SMALL BUSINESS PARTICIPATION IN THE TARGETED INDUSTRY CATEGORIES

Introduction

One of the primary objectives of the Small Business Competitiveness Demonstration Program (the Program) is to measure whether the use of targeted goaling will expand small business participation in activities in which Federal contracting opportunities have historically been low for small business. Each participating agency must establish 10 Targeted Industry Categories (TIC) for increased participation by small businesses. The three statutory criteria for the selection of these industry categories are:

- Categories must be recipients of substantial purchases by the Federal Government;
- Categories must have a small business participation rate of less than 10 percent; and
- Categories must have significant amounts of small business production capacity not previously utilized by the Government.

A number of agencies found it difficult to identify TICs that satisfy all three criteria. All agencies were eventually able to identify targeted areas with a potential to increase small business shares; however, it's doubtful that they met the statutory criteria in every case. Five of the agencies (GSA, Transportation, Agriculture, Energy and EPA) have added and replaced some of the original TICs since the Program first originated in 1989. However, goals were not generally provided with the new TICs. SBA will be working with the participating agencies this year to establish specific goals for those new TICs without goals. In accessing goal achievement for the new TICs, this report has used the lowest goal associated with the replaced TICs. In some cases, the TICs were selected based on Product and Service Codes (PSC) and at other times on Standard Industrial Classification (SIC) codes. Some agencies used a combination of the two. Agencies establish TIC goals on an annual basis. Since FY 1993, agencies report TIC results on a fiscal year basis. Before 1993, however, the TIC data were reported on a calendar year basis. Appendix C of this report shows the participating agencies' TICs and the awards made during calendar year 1992 and fiscal years 1993 through 1998.

This chapter provides data on and discusses the participating agencies' TIC results for FY 1998. The discussion begins by summarizing the performance of all participating agencies combined. More specifically, showing the total number of TIC goals met and the total amount of contracting to small businesses in the TICs.

Overview of TIC Awards—All Agencies

The participating agencies' TIC results show some declines in achieving their goals during FY 1998 when compared to FY 1997. In FY 1998, the participating agencies met their goals in 45 of the 100 TICs, as compared to 54 TIC goals achieved in the previous fiscal year (see Table 4-1). Of the remaining 55 categories, no awards were made in 19 categories. Goals were not met in 36 TICs in which contract awards were made.

**Table 4-1
Number of TIC Goals Achieved by Agency**

Agency	Fiscal Year	Goals Achieved	Goals Not Achieved	TICs With No Contracting Activity
Agriculture	1997	1	1	8
	1998	3	1	6
Defense	1997	6	4	0
	1998	5	5	0
Energy	1997	3	1	6
	1998	2	1	7
Environmental Protection Agency	1997	6	3	1
	1998	4	6	0
General Services Administration	1997	9	1	0
	1998	8	0	2
Health and Human Services	1997	7	2	1
	1998	6	3	1
Interior	1997	5	2	3
	1998	5	4	1
NASA	1997	7	3	0
	1998	6	4	0
Transportation	1997	5	5	0
	1998	4	5	1
Veterans Affairs	1997	5	4	1
	1998	2	7	1
Total All TICs	1997	54	26	20
	1998	45	36	19

Table 4-2 shows total Federal contract dollars and small business dollar awards in the TICs for FY 1993 through FY 1998. Fiscal Years 1996, 1997 and 1998 show a substantial increase in total contract awards in the TICs. In these three fiscal years, total contract awards were three to four times the levels of the previous fiscal years. These changes are attributable to DoD, where procurement activity in the TIC categories rose from approximately \$2 billion in FY 1993 through FY 1995, to \$15 billion in FY 1996 and FY 1997, and to almost \$17 billion in FY 1998. These higher numbers stemmed from improvements in DoD's reporting procedures.

Table 4-2
Contract Dollars
in the Targeted Industry Categories

Fiscal Year	Total	Small Business	Percent to Small Business
1993	\$5,647,929,197	\$529,153,030	9.4
1994	\$5,286,156,137	\$556,458,526	10.5
1995	\$5,251,847,465	\$435,711,193	8.3
1996	\$18,562,171,142	\$1,368,019,442	7.4
1997	\$18,777,973,773	\$1,123,973,773	6.0
1998	\$22,083,896,048	\$1,631,854,142	7.4

The participating agencies increased the share of TIC contract award dollars to small business to 7.4 percent in FY 1998 from 6.0 percent in FY 1997. Even though the agencies met their goals in fewer TICs, they did increase overall contracting to small businesses.

The importance of the DoD's TIC awards in FY 1996, 1997 and 1998 raises the question whether the overall percentages for all agencies combined could be affected by the much more heavily weighted DoD activity in the last three fiscal years. To measure this affect, the DoD TIC contract dollars for the last three fiscal years were tabulated and compared to the previous three fiscal years. These DoD TIC awards were also subtracted from the total TIC awards to produce data for defense-related TIC awards by DoD and non-defense-related TIC awards by the civilian agencies. These data are reported in Tables 4-2 and 4-3.

Table 4-3
Contract Dollars in the Targeted
Industry Categories Reported by DoD

Fiscal Year	Total	Small Business	Percent to Small Business
1993	\$2,048,237,000	\$65,323,000	3.2
1994	\$1,878,933,000	\$49,607,000	2.6
1995	\$1,799,072,000	\$54,547,000	3.0
1996	\$15,034,737,000	\$855,514,000	5.7
1997	\$15,926,763,000	\$805,352,000	5.1
1998	\$16,732,309,000	\$747,033,000	4.5

Table 4-4
Contract Dollars in the Targeted
Industry Categories Reported by the Civilian Agencies

Fiscal Year	Total	Small Business	Percent to Small Business
1993	\$3,599,692,197	\$463,830,030	12.9
1994	\$3,407,223,137	\$506,851,526	14.9
1995	\$3,452,775,465	\$381,164,193	11.0
1996	\$3,527,434,142	\$512,505,442	14.5
1997	\$2,851,250,773	\$318,621,773	11.2
1998	\$5,351,587,048	\$884,821,142	16.5

These two tables give a different perspective on the participating agencies' achievements in encouraging small business participation in the TICs. The civilian agencies appreciably increased the small business share in the latest fiscal year. During FY 1993-97, the small business share ranged between 11 percent to almost 15 percent. In FY 1998, however, it reached 16.5 percent--the highest for any year since 1993.

The experience of the DoD shows a pattern of greater contracting to small businesses in the 2 fiscal years of 1996 and 1997, followed by a somewhat lower share in FY 1998. In FY 1996, and FY 1997 the small business share for the TICs was 5.7 percent and 5.1 percent, respectively—considerably higher than the 2.6 percent to 3.2 percent range during the FY 1993 to FY 1995 period. The share of 4.5 percent in FY 1998 was lower than the FY 1996 and 1997 numbers, but still significantly higher than the FY 1993 to FY 1995 experiences.

In conclusion, the civilian agencies increased small business shares in FY 1998 while DoD's shares declined slightly. For all agencies combined, there was an increase in share for FY 1998 over the FY 1997 figure.

CHAPTER 5

CONCLUSIONS

During FY 1998, the 10 participating agencies collectively exceeded both the 40 percent small business and the 15 percent emerging small business participation goals for each DIG covered by the Program, except for A&E Services. Although each agency's experience varied, the general success in meeting goals suggests that in these DIG categories, set-asides were fairly uncommon.

For A&E Services, the participating agencies on a collective basis did not achieve the small business and emerging small business participation goals of 35 percent and 15 percent, respectively, for FY 1998. Small business participation was just under 20 percent. Emerging small business participation was 5.7 percent--a little more than one-third of the participation goal. Only two agencies met both the A&E Services small business and emerging small business participation goals.

Among the individual participating agencies, achievement of the small business participation goals for the other DIG categories varied. Most agencies met the small business participation goal in the Construction, Refuse and Non-Nuclear Ship Repair DIGs. However, 2 fewer participating agencies met the goals in Construction Group 16 and Refuse Systems in FY 1998 than in the previous fiscal year.

The agencies in general had more difficulty in achieving the 15 percent participation goal for emerging small businesses than in achieving the participation goal for small businesses. As discussed above, the A&E Services emerging small business participation goal was not met by eight of the participating agencies. The agencies also experienced difficulty in achieving the goal in Construction Group 15, where only half of the participating agencies achieved the goal. The largest change occurred in Refuse Systems where three fewer participating agencies achieved the emerging small business participation goal in FY 1998 than in the previous fiscal year. However, these three agencies had very little contracting activity in this DIG, and participating rates can vary significantly with only a few awards.

A review of overall small business and emerging small business participation rates between FY 1997 and FY 1998 displayed no general upward or downward trend by DIG. The participation rates or changes in participation between FY 1997 and FY 1998 appeared to be influenced more by an agency's contracting activity within a DIG than by any general trends affecting the DIG.

Also, changes in small business and emerging small business participation for most participating agencies did not display a consistent trend in any one direction. DoD's FY 1998 participation rates for both small business and emerging small business categories were similar to its FY 1997 levels for most DIGs. As the agency with the largest amount of contracting activity, its participation rates tend to be more stable from year to year.

NASA's emerging small business participation rates were also similar between FY 1997 and FY 1998 for most DIGs. The EPA, however, made no contract awards to emerging small businesses.

This report also addresses the goals and accomplishments of the participating agencies in the 10 industry categories targeted by each agency for expanded small business participation. For FY 1998, the goals were met in 45 of the 100 targeted industry categories and no awards were made in 19 TICs; goals were not achieved in 36 targeted categories. The agencies met nine fewer TIC goals than in FY 1997.

The percent of contract dollars awarded to small businesses in the TICs was 7.4 percent in FY 1998, an increase over the 6 percent of contract dollars awarded in FY 1997. The results of the civilian agencies accounted for this increase in the small business share.

The SBA's review of the FY 1998 results of the Program concludes that small businesses and emerging small businesses have essentially maintained their level of participation in Federal procurement within most of the DIGs and slightly increased their participation in the TICs from the FY 1997 results. While participation rates did not change much in most of the DIGs, we are concerned about fewer agencies meeting the participation goals in Refuse Systems. We continue to be concerned about participation rates for A&E Services. The participation agencies should focus more attention in these 2 DIGs to help maintain and increase participation rates above the Program's participation goals. Although the agencies increased their overall share of TIC contracts to small business, we are also concerned that they met fewer of their TIC goals in FY 1998 than in FY 1997. Agencies need to ensure that small business participation occurs in a broad range of industries to more effectively expand opportunities to small businesses.

APPENDICES

- A. Tables for Agency Contract Dollars by Designated Industry Group
- B. Tables for Agency Actions by Designated Industry Group
- C. Tables of Targeted Industry Categories as Selected by Participating Agencies
- D. Interim and Final Policy Directives