

# News Release

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**Release Date:** January 16, 2008

**Release Number:** 08-04

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### ***Frequently Asked Questions regarding Proposed Rule on Women-Owned Small Business Set-Aside Program***

#### ***1. How did SBA decide which industries to include in its analysis of women-owned small businesses (WOSBs) in government contracting? How many contracting categories were analyzed?***

SBA contracted with the highly respected RAND Corporation, which specializes in government studies, to perform an analysis of underrepresentation of WOSBs. RAND's methodology was based on a report by the National Academy of Sciences, which provided direction on how to conduct the statistically valid disparity study. The RAND study identified a multitude of ways to measure underrepresentation of WOSBs, analyzing all contracting categories – 140 total – in which it had sufficient survey samples.

#### ***2. How is it possible that WOSBs are underrepresented in only four categories when women-owned businesses account for nearly 28 percent of all American businesses but receive only 3.4 percent of all federal contract dollars?***

It is important to make distinctions about what the data actually represent. The frequently cited statistic that more than one-fourth of American businesses are women-owned is correct, but this includes *all* women-owned businesses, combining small, medium, and large-sized firms throughout the U.S. economy.

And, while a simple count of businesses may be useful for some analyses, it tells us little about the economic potential and role of these firms in federal contracting. Comparing the *number* of businesses with the *dollar value* to contracts is an inappropriate comparison, because the number assumes comparability between small businesses and large multinationals.

Taking this into account, there is good news in RAND's analysis: When WOSBs compete for contracts, they do well. In fact, over the last several years under the Bush Administration, the amounts going to WOSBs have increased dramatically. Prime contract dollars increased from \$4.6 billion in 2000 to \$11.6 billion in 2006. Moreover, in 2006 WOSBs obtained a \$1.5 billion increase in contracts from the previous year, their largest one-year increase ever.

#### ***3. Doesn't the proposed rule actually limit access to government contracts for WOSBs and negatively affect their annual revenues?***

On the contrary, WOSBs will have increased access to contracts in the four categories in which disparity was determined when the various federal agencies implement this program. WOSBs have the same right to compete for federal contracts that they have always had, and in fact have the opportunity to qualify for a number of other additional set-aside programs. Furthermore, the SBA is working to ensure federal

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agencies meet their overall small business contracting targets, and this work includes WOSBs. Last summer, SBA launched a procurement Scorecard which tracks agencies' progress in reaching their small business goals. In addition, after working with agencies to identify federal contracting database miscoding and anomalies, SBA released the Fiscal 2006 Small Business Goaling Report and a revised Fiscal 2005 report, providing a more accurate picture of government's small business contracting achievements. These tracking tools increase transparency and accountability in the procurement process.

***4. Why does the proposed rule require federal agencies to conduct their own analysis of past procurement practices and make a finding of discrimination in order to set-aside contracts to WOSBs?***

Based on legal standards that apply to all such programs, the U.S. Department of Justice offered general guidance to SBA on how best to establish procedures that could withstand legal challenge. Before a contracting officer may restrict competition to WOSBs under section 8(m), the agency must determine through analysis of its own procurement history that the set-aside will be consistent with constitutional standards. In particular, the proposed rule provides that the agency must determine whether the set-aside is substantially related to remedying past gender discrimination in the relevant industry.

***5. How are WOSBs performing in the federal contracting marketplace?***

SBA has successfully fostered procurement opportunities for WOSBs through its programs and district offices, which is demonstrated by the increase in contracting dollars awarded to them over the last several years:

- Between FYs 1999 and 2006, WOSBs' share of federal procurement dollars increased from \$4.6 billion to \$11.6 billion, a 152 percent increase over that period;
- Between FYs 2001 and 2006, federal subcontracting dollars to WOSBs increased from \$4.1 billion to \$10.1 billion, a 146 percent increase over that period;
- Contracts to WOSBs accounted for \$11.6 billion in FY 2006 and 3.4 percent of federal procurement, an increase of \$1.5 billion from FY 2005.

***6. What is the best way to increase WOSBs' share of federal contracts?***

As noted above, WOSBs that are registered in the Central Contracting Registration (CCR) system are competing successfully for federal contracts. The key to increasing the portion of contracting dollars that go to WOSBs is to increase the number of WOSBs in the CCR.

The SBA is working diligently towards this goal and with federal agencies to reach the 5 percent WOSB target. Currently, resources for WOSBs interested in contracting include Small Business Development Centers (SBDC), Women's Business Centers (WBC), SCORE, Procurement Technical Access Centers (PTAC), and the Office of Small Disadvantaged Business Utilization (OSBDU) centers. PTACs are under the purview of the Department of Defense, while all agencies have OSBDUs. Within the Office of Small Disadvantaged Business Utilization at the major procuring agencies, there are often women's business advocates.

Furthermore, SBA district offices nationwide continually work to increase WOSBs in federal government contracting through matchmaking events, training, and close collaboration with federal, state and local contracting officials, resource partners and the private sector.