



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

May 2, 2014

**H.R. 4093
Greater Opportunities for Small Business Act of 2014**

As ordered reported by the House Committee on Small Business on March 5, 2014

SUMMARY

H.R. 4093 would amend the laws that encourage federal agencies to procure goods and services from small business. The legislation would increase the goals for awarding procurements to small businesses for both prime contracts (contracts directly awarded by the federal government) and subcontracts.

CBO estimates that implementing H.R. 4093 would cost \$125 million over the 2015-2019 period, assuming appropriation of the necessary amounts. Enacting the bill could affect direct spending by agencies not funded through annual appropriations; therefore, pay-as-you-go procedures apply. CBO estimates, however, that any net change in spending by those agencies would be negligible. Enacting the bill would not affect revenues.

H.R. 4093 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 4093 is shown on the following table. The cost of this legislation falls within budget functions 050 (national defense), 800 (general government), and all other budget functions that include administrative costs for procurement.

	By Fiscal Year, in Millions of Dollars					2015- 2019
	2015	2016	2017	2018	2019	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	25	25	25	25	25	125
Estimated Outlays	25	25	25	25	25	125

For this estimate, CBO assumes that the bill will be enacted by the end of fiscal year 2014, that the necessary amounts will be provided each year, and that spending will follow historical patterns for procurement administration.

Administration of Procurement By Federal Agencies

The federal government currently has the goal of acquiring from small businesses 23 percent of the goods and services it acquires through prime contracts and 35.9 percent of the goods and services it obtains under subcontracts. (Some types of procurements are exempt from those goals.) A prime contractor is responsible for providing all of the goods and services in the contract to the federal government, although a subcontractor may be hired to provide some of those goods and services. H.R. 4093 would raise those goals to 25 percent for prime contracts and 40 percent for subcontracts. The Small Business Administration (SBA) reports that over the 2008-2012 period the federal government fell short of the current procurement goals by 1 or 2 percentage points.

Based on information from the General Services Administration, the Department of Defense, and reports on procurement prepared by the Government Accountability Office and SBA, CBO estimates that implementing the bill would cost each major federal agency about \$1 million a year to conduct market research, operate mentoring and developmental programs to prepare small business to obtain government procurement opportunities, and divide larger contracts into smaller ones suitable for small businesses. In total, CBO estimates that implementing the new goals under H.R. 4093 would cost about \$25 million annually, less than 1 percent of the roughly \$3.7 billion spent each year to administer the government's procurement efforts.

Cost of Federal Procurement

Under H.R. 4093, CBO expects that agencies would continue, to the extent possible, to use small businesses to procure goods and services at the lowest price available. However, we expect that those agencies would attempt to meet such contracting goals only to the extent that doing so would not significantly increase the cost of procuring needed goods and services (another procurement goal they must attempt to meet). Thus, we estimate that implementing H.R. 4093 would not significantly increase the net cost of federal procurement.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. Enacting the bill could affect direct spending by agencies not funded through annual appropriations; therefore, pay-as-you-go procedures apply. CBO estimates, however, that any net change in spending by those agencies would not be significant. Enacting the bill would not affect revenues.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 4093 contains no intergovernmental or private-sector mandates as defined in UMRA and would impose no costs on state, local, or tribal governments.

ESTIMATE PREPARED BY:

Federal Costs: Matthew Pickford
Impact on State, Local, and Tribal Governments: Michael Hirsch
Impact on the Private Sector: Paige Piper/Bach

ESTIMATE APPROVED BY:

Theresa Gullo
Deputy Assistant Director for Budget Analysis