



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 18, 2000

### **H.R. 4897** **Equity in Contracting for Women Act of 2000**

*As ordered reported by the House Committee on Small Business on July 27, 2000*

CBO estimates that implementing H.R. 4897 would result in higher contracting costs for the federal government of several million dollars per year, subject to the availability of appropriated funds. Enactment of the bill also could affect direct spending and receipts, so pay-as-you-go procedures would apply. However, CBO estimates that any impact on direct spending and receipts would not be significant. H.R. 4897 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.

H.R. 4897 would direct the Small Business Administration (SBA) to conduct a study to identify industries where small businesses owned and controlled by economically disadvantaged women are underrepresented with respect to receiving federal contracts. The bill would then permit federal contracting officers to set aside certain contracts involving those industries to be awarded to such small businesses. H.R. 4897 would require that each such contract be valued at no more than \$5 million, and be awarded at a fair and reasonable price.

Because H.R. 4897 would allow agencies to set aside certain contracts, the bill would likely restrict competition and increase the prices of some federal contracts. In fiscal year 1999, small businesses owned by economically disadvantaged women won 12,519 contracts under \$5 million each and worth a total of about \$1.8 billion (for an average contract value of \$145,000).

It is difficult to predict the number of contracts that would be affected by the bill and any consequent increase in price to the government. However, if H.R. 4897 were to result in a 5 percent increase in the number of contracts awarded to economically disadvantaged women and if the price of each contract would exceed the low bid by 5 percent, CBO estimates that the bill would cost the federal government close to \$5 million each year, subject to the availability of appropriated funds. That estimate assumes that contracts set aside under H.R. 4897 would have an average value of about \$145,000. In addition, based on

information from SBA, CBO estimates that the study required by the bill would cost less than \$500,000 in fiscal year 2001.

Under H.R. 4897, persons who misrepresent their status as small business concerns owned and controlled by economically disadvantaged women would be subject to civil and criminal fines, so the federal government might collect additional fines if the bill is enacted. Collections of criminal fines are recorded in the budget as governmental receipts (revenues), which are deposited in the Crime Victims Fund and spent in subsequent years. Civil fines are recorded as governmental receipts. CBO expects that any additional receipts and direct spending would be negligible because of the small number of cases likely to be involved.

The CBO staff contact is Mark Grabowicz. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.