



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 11, 2002

S. 1994

Combined 8(a) and HUBZone Priority Preference Act

*As ordered reported by the Senate Committee on Small Business and Entrepreneurship
on July 24, 2002*

S. 1994 would establish new criteria for evaluating bids on certain federal procurement contracts. CBO estimates that implementing S. 1994 would cost about \$1 million a year, subject to the availability of appropriated funds. The bill would not affect direct spending or receipts, so pay-as-you-go procedures would not apply. S. 1994 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.

Under this bill, certain contracts would be deemed less expensive than others when being evaluated for price. For contracts subject to full and open competition, the bill would establish a price preference of up to 12 percent for firms that are dually certified under the Small business Administration's (SBA's) 8(a) Business Development program and Historically Underutilized Business Zone (HUBZone) program. For contracts restricted to small businesses, firms that are dually certified would be given a price preference over comparable bids from firms that are only certified under the 8(a) program or the HUBZone program.

Based on information from the SBA and the Office of Federal Procurement Policy (OFPP), CBO estimates that adding these new evaluation criteria would increase administrative costs about \$1 million annually, assuming the availability of appropriated funds. Price preferences could increase federal costs if it resulted in the award of higher-cost contracts, but based on information from SBA and OFPP, we expect that such effects would be insignificant.

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