



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 21, 2018

H.R. 6367 **Incentivizing Fairness in Subcontracting Act**

As reported by the House Committee on Small Business on September 12, 2018

H.R. 6367 would require the Office of Small and Disadvantaged Business Utilization (OSDBU) at all federal agencies to develop a dispute process to resolve late payments from federal prime contractors to their subcontractors. Under the bill, when a subcontractor notifies an OSDBU that it has not received payment for work performed, that office would need to verify that no payment had occurred and then determine whether the lack of payment could be attributed to actions by the federal agency. The OSDBU also would be required to notify prime contractors regarding their failure to pay and reflect that nonpayment in a federal contract reporting system. Under H.R. 6367 the Small Business Administration (SBA) would issue new rules regarding prime contractor reporting requirements.

Using information from the SBA and several of the affected OSDBUs, CBO estimates that implementing the bill would shift some work from an agency's contracting office to the OSDBU and would require each major OSDBU to hire about two additional employees at an average annual cost of \$120,000. Thus, CBO estimates that implementing the bill would cost each of the 26 major agencies, on average, less than \$500,000 each year. Across all of the major federal agencies those costs would total about \$6 million a year over the 2019-2023 period; any such spending would be subject to the availability of appropriated funds. CBO estimates that the cost to update SBA rules would not be significant.

Enacting H.R. 6367 could affect direct spending by agencies not funded through annual appropriations; therefore, pay-as-you-go procedures apply. CBO estimates, however, that any net increase in spending by those agencies would not be significant. Enacting H.R. 6367 would not affect revenues.

CBO estimates that enacting H.R. 6367 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 6367 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act.

The CBO staff contact for this estimate is Stephen Rabent. The estimate was reviewed by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.