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SMALL BUSINESS

Federal Agencies'  
Contracting Goals for  
Women-Owned Businesses

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Mr. Chairman and Members of the Committee:

We are pleased to be here today to discuss our July 1992 report on federal efforts to provide contracts to women-owned small businesses, particularly as it pertains to how federal agencies' contracting goals are established for women-owned small businesses and what the recent experience has been in achieving these goals.<sup>1</sup>

In summary, our work showed that the Small Business Administration (SBA) negotiates with executive branch agencies and departments to establish fiscal year contracting goals for women-owned small businesses. The goals--expressed as a percentage of the dollar value of each agency's total estimated procurement for the fiscal year--are nonbinding targets. Our examination of recent experience with the goals showed the following:

- For fiscal year 1990, SBA negotiated contracting goals with 45 of 57 agencies. These goals totaled about \$2 billion and represented about 1.1 percent of the total estimated dollar value of the contracts to be awarded. The fiscal year 1990 contracts actually awarded to women-owned small businesses were worth about \$2.33 billion, or about 1.3 percent of the value of all federal contracts awarded.
- Of the 57 agencies, 17 traditionally account for the majority of federal procurement dollars, and 14 of them met or exceeded their fiscal year 1990 negotiated goals. Data are not yet available from SBA to determine the extent to which these 17 agencies achieved their fiscal year 1991 negotiated goals.
- In addition to having their negotiated goals, four agencies--the Departments of Transportation (DOT) and Energy (DOE), the Agency for International Development (AID), and the Environmental Protection Agency (EPA)--are required by law to provide a minimum percentage of procurement funds to specific groups, including women-owned small businesses.

#### BACKGROUND

Executive Order 12138, issued in May 1979, established a national policy for promoting women-owned business enterprises. The order required, among other things, that executive branch agencies provide procurement and financial assistance to such businesses and set up the Interagency Committee on Women's Business Enterprise to oversee federal agencies' activities and to assess the federal government's progress in promoting women-owned businesses. The order also directed SBA to provide an executive director, staff, and administrative support for the Committee.

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<sup>1</sup>Small Business: Efforts to Provide Federal Procurement Dollars to Women-Owned Businesses (GAO/RCED-92-185, July 28, 1992).

SBA's Office of Women's Business Ownership currently provides these personnel and serves as the federal advocate for developing and promoting women-owned small businesses.

The number and economic importance of women-owned small businesses have increased significantly since the early 1980s. Between 1982 and 1987, the number of women-owned small businesses grew from about 2.6 million to about 4.1 million, and the receipts generated by these firms increased from about \$98 billion to about \$278 billion. In 1987, women-owned small businesses accounted for about 30 percent of the 13.7 million small businesses in the United States.

#### SBA NEGOTIATES FISCAL YEAR CONTRACTING GOALS

While the Small Business Act requires SBA and each federal agency to establish annual contracting goals for small businesses and small businesses owned and controlled by socially and economically disadvantaged individuals, the act does not require that such goals be established for women-owned small businesses. SBA, under the authority granted by Executive Order 12138, negotiates with executive branch agencies to establish fiscal year contracting goals for women-owned small businesses. These goals are expressed as a percentage of the dollar value of all prime contracts--contracts awarded directly by the federal government to individual businesses<sup>2</sup>--that each agency believes it will award during the fiscal year.

For fiscal years 1990 and 1991, SBA conducted negotiations on contracting goals for women-owned small businesses with 57 executive branch departments and agencies. It established contracting goals with 45 agencies for both fiscal years. Information recently provided by SBA shows that for fiscal year 1992, SBA established goals with 43 of the 57 executive branch departments and agencies. According to SBA, it is less likely to negotiate goals with small, independent agencies that have very low procurement budgets and/or very few contracts each year. Appendix I of this testimony contains a table that updates, through fiscal year 1992, the information in our report regarding which of the 57 agencies have established contracting goals for women-owned small businesses and which have not.

For fiscal year 1990, the contracting goals for women-owned small businesses ranged from 0.3 percent to 29 percent at the 45 agencies. The goals totaled about \$2 billion and represented about 1.1 percent of the estimated \$175.4 billion in total prime contracts the federal agencies believed they would award. The actual amount of prime contracts awarded to women-owned small

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<sup>2</sup>Portions of prime contracts subcontracted to women-owned businesses are not included in these figures.

businesses by these agencies for fiscal year 1990 totaled about \$2.33 billion. This represented about 1.3 percent of the \$177.8 billion in total prime contracts awarded by these agencies.

For fiscal year 1991, the contracting goals at the 45 agencies ranged from 0.3 percent to 22 percent. These goals totaled about \$2 billion and represented about 1.2 percent of the \$166.3 billion the agencies expected to award in all of their prime contracts. Data are not yet available from SBA to determine the extent to which the fiscal year 1991 contracting goals were achieved.

For fiscal year 1992, the contracting goals for women-owned small businesses ranged from 0.3 percent to 35 percent at the 43 agencies. The goals totaled about \$2.4 billion and represented about 1.4 percent of the \$172.6 billion estimated to be awarded by the agencies in prime contracts.

According to SBA, it negotiates contracting goals that are a percentage of the estimated value of an agency's contracts, rather than a specific dollar amount, because the percentage goal helps to ensure that women-owned small businesses receive a proportional share of the contracts should the agency's procurement budget increase or decrease. When negotiating a contract goal, SBA considers the type of industries in which the agency's procurement is concentrated and the prominence of women-owned small businesses in these industries. According to SBA, the negotiated contracting goals represent only good faith efforts; that is, the agencies are not legally required to meet these goals. According to small business representatives at each of 18 other federal agencies--the 17 major federal procuring agencies, and AID, a smaller, independent agency with a legislatively mandated contracting requirement for women-owned small businesses--the contracting goals SBA negotiates serve as reminders to procuring officials to keep women-owned small businesses in mind when awarding contracts during the fiscal year.

#### MOST MAJOR PROCUREMENT AGENCIES MET OR EXCEEDED GOALS

Fourteen of the 17 major federal procurement agencies met or exceeded the contracting goals SBA negotiated for fiscal year 1990. Of the approximately \$2.33 billion in contracts actually awarded to women-owned small businesses for fiscal year 1990, about \$2.27 billion, or about 97 percent, was awarded by the 17 agencies. Data are not yet available from SBA to determine the extent to which these 17 agencies met or exceeded their fiscal year 1991 goals. The fiscal year 1992 contracting goals negotiated with the 17 major procuring agencies, when compared with their negotiated goals for fiscal year 1991, were higher for 11 agencies, lower for 4 agencies, and unchanged for the 2 remaining agencies. The increases in the fiscal year 1992 goals ranged from 0.05 percent to

1.5 percent of the total amount to be awarded, while the decreases ranged from 0.1 percent to 1.6 percent.

SOME AGENCIES HAVE LEGISLATIVELY  
MANDATED CONTRACTING REQUIREMENTS

In addition to having the contracting goals for women-owned small businesses that SBA negotiates with them, four agencies--DOT, DOE, AID, and EPA--are required by legislation to provide, to the extent possible, a minimum percentage of funds for selected procurement activities to specific groups, including small businesses owned by women.

DOT's contracting requirements are mandated by the Surface Transportation and Uniform Relocation Assistance Act of 1987, Airport and Airway Safety and Capacity Expansion Act of 1987, and Intermodal Surface Transportation Efficiency Act of 1991. Specifically, these acts require, unless the Secretary of Transportation determines otherwise, that not less than 10 percent of the federal assistance provided in grants to state and local agencies by each of DOT's Federal Highway Administration, Federal Transit Administration (formerly the Urban Mass Transportation Administration) and Federal Aviation Administration must be disbursed to disadvantaged business enterprises (DBE). Women-owned small businesses are included in the acts' definition of a DBE. Federal assistance grants are used by state and local agencies to finance highway, urban mass transit, and airport projects. In both fiscal years 1990 and 1991, DBEs received more than 10 percent of the contract dollars awarded by state and local agencies. Of the total \$1.9 billion awarded to DBEs for fiscal year 1990, women-owned small businesses received about \$646.3 million, or 33 percent. For fiscal year 1991, women-owned small businesses received about \$769.3 million, or about 33 percent, of the \$2.3 billion total awarded to DBEs.

DOE's appropriations acts for fiscal years 1990 through 1992 required that the Secretary of Energy, to the fullest extent possible, ensure that at least 10 percent of the federal funds used to develop, construct, and operate the Superconducting Super Collider be made available to business concerns or other organizations that are owned or controlled by socially and economically disadvantaged individuals, including small businesses owned or controlled by women. DOE did not meet its 10-percent requirement for fiscal year 1990. Of the \$106 million in contracts awarded for the program for the fiscal year, awards to targeted firms and organizations totaled about \$6 million, or 5.7 percent. Of this amount, approximately \$3 million, or about 50 percent, went to women-owned small businesses. According to DOE's Superconducting Super Collider Project Office, the program was just beginning in fiscal year 1990, and the shortfall in the dollar value of contracts awarded to these targeted firms and organizations occurred because the total funding expected for the

program did not materialize. For fiscal year 1991, socially and economically disadvantaged businesses and organizations received about \$34.3 million, or about 16 percent, of the \$216 million available for the program. However, DOE cannot determine how much of these funds was awarded to women-owned small businesses.

For fiscal years 1990 and 1991, AID's appropriations acts required that, except to the extent the Administrator determined otherwise, not less than 10 percent of the agency's aggregate of funds made available during each fiscal year for (1) development assistance and (2) assistance for African famine recovery and development be awarded to socially and economically disadvantaged businesses and organizations, including businesses owned and controlled by women. AID met its 10-percent requirement for fiscal years 1990 and 1991. For fiscal year 1990, AID's contract awards totaled about \$1 billion, of which \$163 million, or about 16 percent, was awarded to socially and economically disadvantaged businesses and organizations. Women-owned businesses accounted for \$23 million, or about 14 percent, of the \$163 million. For fiscal year 1991, AID's contract awards totaled about \$1.2 billion, of which approximately \$179 million, or about 15 percent, was awarded to socially and economically disadvantaged businesses. Women-owned businesses accounted for about \$32 million, or 18 percent of the \$179 million.

EPA has two legislatively mandated procurement requirements, which became effective in fiscal year 1991 and include women-owned small businesses among the targeted groups. Under amendments to the Clean Air Act, enacted in November 1990, the Administrator, EPA, must require, to the extent practicable, that not less than 10 percent of all federal funding for clean air research authorized by the amendments be made available to concerns owned by socially and economically disadvantaged individuals, including women. No data are available on how well EPA did in meeting the requirement for fiscal year 1991. Because of legal and other problems, it was October 1991, or fiscal year 1992, before EPA finalized the document that implemented the 10-percent requirement. Also, according to EPA, most of the research and development work is performed by universities and nonprofit organizations under cooperative agreements with the agency, and the agency is having difficulty getting these parties to track and report the amount of funding going to disadvantaged concerns. In addition, EPA is not sure of the amount of funds to which the 10-percent requirement applies because some confusion exists regarding what constitutes clean air research for the purposes of the requirement.

EPA's fiscal year 1991 appropriations act required that the Administrator, to the fullest extent possible, ensure that at least 8 percent of federal funding for prime contracts and subcontracts awarded in support of authorized agency programs be made available to business concerns and organizations owned or controlled by socially and economically disadvantaged individuals, a category

that includes women. For fiscal year 1991, all contracts awarded by EPA were worth about \$1.2 billion, of which \$169.1 million, or about 14.1 percent, was awarded to targeted businesses. Women-owned businesses accounted for about \$14.3 million, or about 8.5 percent of the \$169.1 million. While EPA's fiscal year 1991 appropriations act is unclear as to whether the 8-percent requirement applies to future fiscal years, the agency has interpreted the relevant provision to apply to contracts awarded beyond fiscal year 1991.

OUR REPORT DISCUSSED OTHER ISSUES  
RELATED TO WOMEN-OWNED BUSINESSES

I would now like to briefly discuss two other issues discussed in our report that relate to women-owned businesses, namely, the procedures agencies use to certify that women-owned businesses are, in fact, owned by women, and the actions DOT is considering to address the problem of women-owned and other small businesses' having to be certified as DBEs each time they bid on DOT-funded contracts from a different state or local agency.

Our work showed that except for DOT in its DBE program--in which state and local agencies certify that businesses qualify as DBEs--federal agencies do not require independent verification that small businesses are, in fact, owned by women for purposes of qualifying for federal contracts. Rather, federal agencies rely on the individual business to certify, when it bids on a contract, whether it qualifies as a small business, a small business owned by a disadvantaged individual, or a small business owned and operated by a woman. Federal procurement regulations authorize SBA to resolve challenges to or questions about the self-certification.

DOT is considering changes to its regulations for the DBE program to address past problems with certification, such as firms' having to be certified each time they apply to a different state or local agency for a DOT-funded contract. One change would require a single entity to be established to perform all certifications within a state or multistate region. Another would mandate that state and local agencies accept each other's certifications. DOT is also considering changes in its regulations to address situations that may arise when state and local agencies are certifying whether women-owned businesses qualify as DBEs, such as an instance in which funds from a joint marital account are used to establish a business. According to DOT, regulations proposing changes to the DBE program will be published shortly.

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In summary, the vast majority of agencies have contracting goals. Goals have resulted in or are estimated to result in 1.2 to 1.4 percent of the value of prime contracts being awarded to women-owned small businesses. Furthermore, in fiscal year 1990, the most

recent year for which data are available, 14 of the 17 major procurement agencies met or exceeded their goals.

Mr. Chairman, this concludes my prepared statement. I would be glad to respond to any questions that you or any Members of the Committee may have.



THE 57 FEDERAL EXECUTIVE AGENCIES WITH AND WITHOUT  
NEGOTIATED CONTRACTING GOALS FOR WOMEN-OWNED SMALL BUSINESSES  
FOR FISCAL YEARS 1990 THROUGH 1992

Department/agency	Fiscal year 1990		Fiscal year 1991		Fiscal year 1992	
	Goal	No goal	Goal	No goal	Goal	No Goal
Agriculture	•		•		•	
Commerce	•		•		•	
Defense	•		•		•	
Education	•		•		•	
Energy	•		•		•	
Environmental Protection Agency	•		•		•	
General Services Administration	•		•		•	
Health and Human Services	•		•		•	
Housing and Urban Development	•		•		•	
Interior	•		•		•	
Justice	•		•		•	
Labor	•		•		•	
National Aeronautics and Space Administration	•		•		•	
State	•		•		•	
Transportation	•		•		•	
Treasury	•		•		•	
Veterans Affairs	•		•		•	
ACTION	•		•		•	

(cont.)

Department/agency	Fiscal year 1990		Fiscal year 1991		Fiscal year 1992	
	Goal	No goal	Goal	No goal	Goal	No Goal
Administrative Conference of the United States		•		•		•
Agency for International Development	•		•		•	
Board for International Broadcasting		•		•		•
Commission on Civil Rights		•		•		•
Commodity Futures Trading Commission		•		•		•
Consumer Product Safety Commission	•		•		•	
Equal Employment Opportunity Commission	•		•		•	
Executive Office of the President	•		•		•	
Export-Import Bank		•	•			•
Farm Credit Administration		•		•		•
Federal Communications Commission	•		•		•	
Federal Election Commission	•		•		•	
Federal Emergency Management Agency	•		•		•	
Federal Energy Regulatory Commission	•		•		•	

(cont.)

Department/agency	Fiscal year 1990		Fiscal year 1991		Fiscal year 1992	
	Goal	No goal	Goal	No goal	Goal	No Goal
Federal Maritime Commission		•		•		•
Federal Mediation and Conciliation Service		•		•		•
Federal Mine Safety and Health Review Commission		•		•		•
Federal Trade Commission	•		•		•	
International Trade Commission		•		•		•
Interstate Commerce Commission	•		•		•	
Merit Systems Protection Board	•		•		•	
National Archives and Records Administration	•		•		•	
National Capital Planning Commission	•			•		•
National Endowment for the Arts	•		•		•	
National Endowment for the Humanities	•		•		•	
National Labor Relations Board	•		•		•	
National Science Foundation	•		•		•	
National Transportation Safety Board	•		•		•	
Nuclear Regulatory Commission	•		•		•	

Department/agency	Fiscal year 1990		Fiscal year 1991		Fiscal year 1992	
	Goal	No goal	Goal	No goal	Goal	No Goal
Occupational Safety and Health Review Commission	•		•		•	
Office of Personnel Management	•		•		•	
Pennsylvania Avenue Development Corporation	•		•			•
Securities and Exchange Commission		•		•		•
Selective Service System	•		•		•	
Small Business Administration	•		•		•	
Smithsonian Institution		•		•		•
Tennessee Valley Authority	•		•		•	
United States Arms Control and Disarmament Agency	•		•		•	
United States Information Agency	•		•		•	
<b>Total</b>	<b>45</b>	<b>12</b>	<b>45</b>	<b>12</b>	<b>43</b>	<b>14</b>

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