



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

Revised June 1, 2010

S. 2989

Small Business Contracting Revitalization Act of 2010

*As ordered reported by the Senate Committee on Small Business and Entrepreneurship
on March 4, 2010*

SUMMARY

S. 2989 would amend laws that encourage federal agencies to award contracts for goods and services to small businesses. In particular, the bill would make changes to the practice of contract consolidation (combining two or more contracts into a single agreement) and to federal policies that relate to contract set-asides for small businesses. The bill also would authorize a grant program to encourage teams of small businesses to bid on government contracts.

Based on information from the Small Business Administration (SBA) and other agencies with large procurement budgets, CBO estimates that implementing S. 2989 would cost \$422 million over the 2011-2015 period, assuming appropriation of the necessary amounts.

The bill could also affect direct spending by agencies not funded through annual appropriations, such as the Tennessee Valley Authority and the Bonneville Power Administration; therefore, pay-as-you-go procedures would apply. CBO estimates, however, that any net increase in annual spending by those agencies would not be significant. Enacting the legislation would not affect revenues.

S. 2989 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2989 is shown in the following table. The costs of this legislation fall within budget function 370 (commerce and housing credit) and all other budget functions that include spending to procure goods and services.

	By Fiscal Year, in Millions of Dollars					2011-
	2011	2012	2013	2014	2015	2015
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Administration of Governmentwide Procurement						
Estimated Authorization Level	50	75	90	100	110	425
Estimated Outlays	30	60	90	100	110	390
Grants to Develop Small Business Teams						
Authorization Level	5	5	5	5	5	25
Estimated Outlays	3	4	4	5	5	21
SBA Administrative Costs						
Estimated Authorization Level	3	3	3	1	1	11
Estimated Outlays	2	3	3	1	1	10
Reports						
Estimated Authorization Level	1	0	0	*	0	1
Estimated Outlays	1	0	0	*	0	1
Total Changes						
Estimated Authorization Level	59	83	98	106	116	462
Estimated Outlays	36	67	97	106	116	422

Note: * = less than \$500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted near the end of fiscal year 2010, that the necessary amounts will be appropriated each year, and that spending will follow historical patterns for procurement activities. CBO estimates that implementing S. 2989 would cost \$422 million over the 2011-2015 period.

Administration of Governmentwide Procurement

S. 2989 is aimed at expanding the access of small businesses to federal contracts, in part by regulating contract bundling and contract consolidation (the practice of combining two or more contracts into a large single agreement). Under the bill, federal agencies would have to justify the use of consolidated contracts by evaluating whether such contracts are necessary and analyzing the effect on small businesses. In addition, the legislation would change federal regulations related to contract set-asides for small businesses. The legislation also would increase responsibilities for contract oversight as well as training

requirements for federal agencies to help them meet goals for increasing procurement contracts with small businesses.

The federal government purchases about \$500 billion worth of goods and services each year, from office supplies to parts for aircraft carriers. CBO estimates that over 30,000 federal employees are responsible for administering the procurement of goods and services for the government at a cost of about \$3 billion annually. Based on information from SBA, the General Services Administration, and agencies with the most procurement spending, CBO expects that agencies would incur additional discretionary costs to comply with the bill's requirements to justify consolidated contracts, increase the number of contracts set aside for small businesses, and to identify small business concerns that are able to provide desired goods and services.

Based on the current costs to administer contracts and the size and characteristics of those contracts, and assuming appropriation of the estimated amounts, CBO estimates that complying with administrative requirements in S. 2989 would cost federal agencies an average of about \$80 million annually over the next five years—less than 3 percent of the amount CBO estimates is currently spent each year to administer the government's procurement efforts.

Grants to Develop Small Business Teams

S. 2989 would establish a pilot program to assemble teams of small businesses that could compete for larger procurement contracts. The bill would require SBA to create a Center for Small Business Teaming and authorize the appropriation of \$5 million annually to make grants to eligible entities that would assemble the small-business teams. Based on information from SBA, CBO estimates that implementing this provision would cost \$21 million over the 2011-2015 period, assuming appropriation of the specified amounts.

SBA Administrative Costs

Based on information from SBA, CBO estimates that the agency would incur costs to meet additional administrative requirements that arise from changes made by the bill, including establishing the Center for Small Business Teaming and developing an electronic process to monitor procurement activities. CBO estimates that those additional costs would total about \$10 million over the 2011-2015 period, assuming appropriation of the necessary amounts. Those costs include salaries and benefits for five full-time staff to operate the center.

Reports

Finally, the bill would require a number of reports to the Congress from SBA, the Government Accountability Office (GAO), and federal agencies with procurement and contracting activities. GAO would be required to report on the usefulness of SBA's mentor-protégé program and the results of a study of an SBA program to monitor procurement activities. Based on information from SBA and the costs of similar reports, CBO estimates that implementing the reporting provisions of S. 2989 would cost \$1 million over the 2011-2015 period.

Governmentwide Procurement

CBO expects that agencies would continue to encourage the use of small businesses to procure goods and services and would seek to meet the goals for such contracts as set out in the legislation. CBO expects that agencies also would continue to purchase goods and services at the lowest price available and that the goals for small business contracting would be met to the extent that doing so would not significantly increase procurement costs. Thus, we estimate that implementing the bill would not result in a significant change in acquisition costs.

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. S. 2989 could affect direct spending by agencies not funded through annual appropriations, such as the Tennessee Valley Authority and the Bonneville Power Administration; therefore, pay-as-you-go procedures would apply. CBO estimates, however, that any net increase in annual spending by those agencies would not be significant and enacting the legislation would not affect revenues. The net budgetary changes that are subject to pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 2989, the Small Business Contracting Revitalization Act of 2010, as ordered reported by the Senate Committee on Small Business and Entrepreneurship on March 4, 2010

	By Fiscal Year, in Millions of Dollars											2010-	2010-
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2015	2020
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	0	0	0	0	0	0	0	0	0	0	0	0

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 2989 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

PREVIOUS CBO ESTIMATE

On March 25, 2010, CBO transmitted a cost estimate for S. 2989, the Small Business Contracting Revitalization Act of 2010. That estimate incorrectly presented total estimated authorization levels for the bill; those amounts are corrected in this estimate. CBO's estimate of total expenditures (budget outlays) from implementing the legislation remains unchanged from the earlier estimate.

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