



**REPORT TO CONGRESS
ON THE
SMALL BUSINESS COMPETITIVENESS
DEMONSTRATION
PROGRAM**

October 1, 1998 - September 30, 1999

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EXECUTIVE SUMMARY

This report provides results of the Small Business Competitiveness Demonstration Program (the Program) established by Title VII of Public Law 100-656, the Small Business Competitiveness Demonstration Program Act of 1988. The Program has three primary objectives:

- to demonstrate whether small businesses in certain designated industry groups with significant amounts of Federal contracting can compete successfully with larger businesses for Federal contracts on an unrestricted basis;
- to demonstrate whether the expanded use of full and open competition would adversely affect small business participation in these designated industry groups; and
- to demonstrate whether targeted goaling can expand Federal contract opportunities for small businesses in categories in which small businesses have generally been under-utilized in the past.

This report describes the results of the Program for fiscal year (FY) 1999 as reported by the 10 participating Federal agencies. Participating agencies must report annually to the Small Business Administration (SBA) on their goal attainment in each Designated Industry Group (DIG) and Targeted Industry Category (TIC). SBA reviews the activities of the participating agencies through these annual reports.

Designated Industry Groups

The DIGs subject to the Program include: Construction (which includes Construction Group 15, Building Construction—General Contractors and Operators; Construction Group 16, Heavy Construction Other Than Building Construction—Contractors; and Construction Group 17, Special Trade Contractors), Refuse Systems and Related Services, Architectural and Engineering (A&E) Services (including Surveying and Mapping), and Non-nuclear Ship Repair. Under the Program, Federal contracts may be reserved or “set-aside” for small businesses if in any DIG small businesses fail to receive 40 percent of the dollar value of contracts awarded in that DIG. (From FY 1993 to FY 1998, a 35 percent small business participation goal was in effect for A&E Services.) Also, agencies must make a good faith effort to ensure that “emerging” small businesses, defined by law as those small businesses that are one-half the SBA’s small business size standard or smaller, receive no less than 15 percent of the agencies’ total contract dollars awarded for each of the DIGs. This report provides agency accomplishments against the small business and emerging small business goals for the DIGs covered by the Program and awards to small disadvantaged businesses in the DIGs.

During FY 1999, the 10 participating agencies collectively exceeded both the 40 percent small business and the 15 percent emerging small business participation goals for each DIG

covered by the Program, except for A&E Services. For this DIG, small business participation was 22.4 percent, and emerging small business participation was 6.7 percent—approximately one-half of the small business and emerging small business participation goals of 40 percent and 15 percent, respectively.

A review of overall small business and emerging small business participation rates between FY 1998 and FY 1999 displayed small downward movements for the three Construction DIGs and for the Non-nuclear Ship Repair DIG. The A&E Services and the Refuse Systems DIGs experienced small upward movements for both the small business and the emerging small business categories. The lower participation rates for the three Construction DIGs and the Non-nuclear Ship Repair DIG may indicate that earlier downward trends noted over the FY 1989 to FY 1994 period are resuming. On the other hand, slightly higher participation rates for A&E Services and Refuse Systems are moving against the general downward trends previously reported for these two DIGs.

Changes in small business and emerging small business participation for most participating agencies displayed no consistent trend in any one direction across DIGs. Rather, most agencies recorded a mixture of increases, decreases and minor changes from the previous fiscal year's experience. However, the percentage of the contract actions to small businesses decreased by a few percentage points for most DIGs from FY 1998 to FY 1999.

A review of the participating agencies' FY 1999 achievement of the small business and emerging small business participation goals indicates that the participation goals were met for most DIGs, but not all. Although each agency's experience varied, the general success in meeting the participation goals suggests that in these DIG categories, set-asides were fairly uncommon.

Most agencies met the small business participation goal in the Construction, Refuse Systems, and Non-nuclear Ship Repair DIGs. For two DIGs--Major Group 17 (Special Trades) and Non-nuclear Ship Repair--the small business goal was achieved by every agency that had contract awards in the DIG. However, only four of the participating agencies met the A&E Services small business participation goal, the same number of agencies that met the goal in the previous fiscal year.

The agencies in general had more difficulty in achieving the 15 percent participation goal for emerging small businesses than in achieving the participation goals for small businesses. For every DIG except Non-nuclear Ship Repair and A&E Services, fewer agencies achieved the 15 percent emerging small business goal than achieved the 40 percent small business goal. This pattern of agencies having more difficulty in achieving the 15 percent emerging small business goal than in achieving the 40 percent small business goal has been observed since the program began in 1989. In FY 1997, the number of agencies achieving the small business goal exceeded the number of agencies that achieved the emerging small business goal in all six DIGs. In FY 1998 and FY 1999, the number of agencies achieving the small business goal exceeded the number of agencies that achieved the emerging small business goal in four DIGs, with two DIGs having similar success rates.

A significant change in achieving goals occurred in Refuse Systems where six participating agencies met the emerging small business participation goal in FY 1999—two more agencies than in the previous fiscal year. A second DIG with a significant change was Construction Group 16, where six participating agencies met the goal—two less than in the previous fiscal year.

Targeted Industry Categories

During FY 1999, the small business share of contract dollars in all TICs combined increased 1 percentage point to 8.4 percent in FY 1999 from 7.4 percent in FY 1998. The participating agencies met their small business goals in 45 out of 100 of their selected TICs, the same as the previous year. FY 1999 total contract dollars to small businesses in the TIC categories increased by \$125 million in DoD and \$41 million in the civilian agencies from the FY 1998 levels. Total contracting to all businesses in the TIC categories, however, declined by \$1.4 billion for the combined civilian agencies while it increased by \$824 million for DoD. The increase in the total share of 1 percentage point occurred due to percentage increases in small business TIC awards by both the combined civilian agencies and DoD. The small business share achieved by the civilian agencies increased 7.3 percentage points and for DoD increased by 0.5 percentage points over the previous fiscal year.

Conclusion

The SBA's review of the Program's results for FY 1999 concludes that small businesses and emerging small businesses participation rates declined modestly in the Construction DIGs and the Non-nuclear Ship Repair DIG, while increasing their participation in the TICs from the FY 1998 results. While participation rates did not change much in most of the DIGs, we are encouraged that one additional agency achieved its goal in the Construction Group 16 and the Refuse Systems DIGs. However, we continue to be concerned about low participation rates for A&E Services. Even with an increase of 2.5 percentage points from the FY 1998 level to a share of 22.4 percent, this DIG has consistently had a lower small business share than the other DIGs.

CHAPTER 1

INTRODUCTION

Purpose

The Program was established in 1988 in response to the concern that a disproportionately large number of contracts in certain industries were being set aside for small businesses. At the same time, opportunities for small businesses were not being made available in other unrelated industries in which small business participation rates were historically low.

The Program has three primary objectives:

- to demonstrate whether small businesses in certain designated industry groups with significant amounts of Federal contracting can compete successfully with larger businesses for Federal contracts on an unrestricted basis;
- to demonstrate whether the expanded use of full and open competition adversely affects small business participation in these designated industry groups; and,
- to demonstrate whether targeted goaling can expand Federal contract opportunities for small businesses in categories in which small businesses have generally been under-utilized in the past despite adequate numbers of small businesses in the economy.

Program Description

The Program began as a 4 year test, beginning on January 1, 1989, by Title VII of Public Law (Pub. L.) 100-656, the “Small Business Competitiveness Demonstration Program Act of 1988.” The test authority of Section 15 of the Office of Federal Procurement Policy (OFPP) Act (41 U.S.C. 413) guides the Program.

The Program applies to 10 agencies: the Departments of Agriculture, Defense, Energy, Health and Human Services, Interior, Transportation, and Veterans Affairs; the Environmental Protection Agency; the General Services Administration; and the National Aeronautics and Space Administration. (The Department of the Interior was added to the nine agencies originally covered by the Program by Pub. L. 101-37, the “Business Opportunity Development Reform Act Technical Corrections Act,” on June 15, 1989.)

The Program generally eliminates small business set-asides for Federal procurements with an anticipated award value of more than \$25,000 in four DIGs. The DIGs are:

- Construction (further broken out into Construction Group 15, Building Construction—General Contractors and Operators; Construction Group 16, Heavy Construction Other Than Building Construction—Contractors; and Construction Group 17, Special Trade Contractors);
- Refuse Systems and Related Services;
- Architectural and Engineering Services, including Surveying and Mapping Services; and,
- Non-nuclear Ship Repair.

The Program provides a significant “floor” of protection for small businesses by requiring participating agencies to conduct annual reviews based on the experience of the previous fiscal year (October 1 through September 30) and to reinstitute small business set-asides for any DIG in which a 40 percent small business participation goal was not achieved. (For A&E Services, a 35 percent small business participation goal was in effect over the FY 1993 to FY 1998 period.) In addition, set-asides would be reinstated for any individual Product and Service Code (PSC) or Standard Industrial Classification (SIC) code within any of the DIGs if the small business participation rate for that code fell below 35 percent over the previous completed fiscal year. Agencies reinstitute set-asides only to the extent necessary to attain these goals, and return to full and open competition upon attaining the goals. In practice, some subagencies of larger agencies were required to reinstitute set-asides for some DIGs or individual PSC or SIC codes within any of the DIGs while other subagencies would continue with full and open competition. Modifications to agency solicitation practices (either reinstating small business set-asides or reestablishing full and open competition) must be made as soon as practicable, but no later than 30 days after the completion of the annual review.

The Program also requires a 15 percent participation goal for emerging small businesses within each DIG. These are small businesses whose size is no greater than 50 percent of the SBA’s small business size standard applicable to the procurement. To assist in attaining this goal, all Federal contracts valued at \$25,000 or less must be reserved for competition among emerging small businesses. This reserve threshold amount of \$25,000, however, is subject to annual adjustment if the participating agencies fall below 15 percent in a DIG. Such an adjustment has been necessary for only one DIG, A&E Services. Effective October 15, 1991, the emerging small business reserve threshold amount increased to \$50,000 for A&E Services for all participating agencies.

Each agency, in conjunction with the SBA, must select 10 TICs for increased small business participation as measured by the percent of contract dollars. A TIC must have had historically low rates of small business participation by the agency selecting the TIC. The selected TICs have varied over time for some agencies in order to have TICs in which the agency anticipates that there will be meaningful contracting opportunities over the next year.

Reporting Requirements

Participating agencies must report to the SBA on their goal attainment in each DIG and TIC no later than January 31 of each year based on data for the preceding fiscal year. SBA reviews the activities of the participating agencies through these annual reports. Beginning in fiscal year 1993, the participating agencies were required to report contract awards to small disadvantaged businesses (SDB), although the Program does not set a specific goal for SDB participation.

Program Amendments

The Small Business Competitiveness Demonstration Program Act of 1988 was amended by the Small Business Reauthorization Act of 1997 (Pub. L. 105-135, Section 401) to make the Program permanent. The Program had twice been extended from the original end date of December 31, 1992¹. Section 402 of Pub. L. 105-135 modified the frequency of monitoring attainment of small business participation goals from a quarterly basis to an annual basis, based on data from October 1 through September 30 of each year. The participating agencies were required to review their results and provide reports to the SBA by not later than January 31 of each year. OFPP and SBA published an Interim Policy Directive in the *Federal Register* on September 29, 1998, incorporating these changes to the Program (63 FR 51981) and a Final Policy Directive on June 2, 1999 (64 FR 29693). Appendix D of this report contains copies of these directives.

The interim and final policy directives made several other changes to the Program. First, the directives removed the requirement to implement a system to collect subcontracting data for A&E Services. That statutory requirement expired on September 30, 1997. Second, the directives removed the temporary 35 percent small business participation goal for A&E Services since it was contingent on the subcontracting data collection system. Third, the directives authorized prime contract awards to small businesses under the HUBZone and Empowerment Contracting Program to count toward goal attainment (HUBZone Act of 1997, Title VI the Small Business Reauthorization Act, Public Law 105-135). Furthermore, participating agencies may set aside procurements in the DIGs under the HUBZone and Empowerment Contracting Program even though the small business and emerging small business participation goals are met by an agency. Lastly, the final policy directive allowed agencies to monitor their 40 percent goal attainment for Non-nuclear Ship Repair separately for East coast and West coast contract awards.

¹ The Small Business Credit and Business Opportunity Enhancement Act of 1992 (Pub. L. 102-366) extended the Program which was originally scheduled to end on December 31, 1992, through September 30, 1996. The Program was again extended through September 30, 1997, as amended by the Omnibus Consolidation Appropriations Act (Public Law 104 – 208, Division D, Section 108).

Historical Data

This report provides and discusses new information for FY 1999 on small business awards in the DIGs and TICs. This report also contains data on Federal contract awards to emerging small businesses and small disadvantaged businesses in the DIGs. For comparative purposes, the discussion of the agencies' results for FY 1999 will be compared to the results reported for FY 1998. The discussion of the participating agencies' results in this report simply describes the trends in participation of small businesses, emerging small businesses, and small disadvantaged businesses during FY 1999 in the industries affected by the Program and does not attempt to analyze why those trends occurred. The appendices to the report contain historical data on the Program.

CHAPTER 2

SMALL BUSINESS, EMERGING SMALL BUSINESS, AND SMALL DISADVANTAGED BUSINESS PARTICIPATION IN THE DESIGNATED INDUSTRY GROUPS

All Agencies

Achievement of Participation Goals

A review of the FY 1999 small business and emerging small business participation rates in the DIGs for the 10 participating agencies combined shows that they were generally successful in achieving the 40 percent participation goal for small business and the 15 percent participation goal for emerging small business. For Construction, Refuse Systems, and Non-nuclear Ship Repair, the combined small business participation rates exceeded 40 percent for FY 1999. Similarly, for Construction, Refuse Systems, and Non-nuclear Ship Repair, the combined emerging small business participation rates exceeded 15 percent. A&E Services was the only DIG in which the combined agencies did not achieve the participation goals. Small business participation was 22.4 percent in FY 1999—slightly more than half of the 40 percent A&E Services small business participation goal. The emerging small business category was 6.7 percent for A&E Services—less than half of the 15 percent emerging small business participation goal.

Small Business and Emerging Small Business Participation Rate Trends

Between FY 1998 and FY 1999, changes in participation rates did not show a consistent trend, but rather, varied by DIG and by small business and emerging small business categories. Tables 2-1 and 2-2 show the participation rates for small business and emerging small business by DIG for FYs 1998-99. Most changes were relatively minor, or within 6 percentage points or less between the two fiscal years. The most noteworthy changes occurred in the emerging small business participation rates for Non-nuclear Ship Repair and Construction Group 17, which fell more than 17 percentage points and 8 percentage points, respectively.

Table 2-1
Small Business Participation Percentage
by Designated Industry Group--All Agencies

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	45.9	40.4	(5.5)
Construction Group 16	47.4	42.7	(4.7)
Construction Group 17	69.7	66.5	(3.2)
Refuse Systems	54.5	59.2	4.7
A&E Services	19.9	22.4	2.5
Non-nuclear Ship Repair	57.6	52.4	(5.2)

Table 2-2
Emerging Small Business Participation Percentage
by Designated Industry Group--All Agencies

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	16.7	15.5	(1.2)
Construction Group 16	19.6	17.9	(1.7)
Construction Group 17	33.8	25.0	(8.8)
Refuse Systems	27.3	31.5	4.2
A&E Services	5.7	6.7	1.0
Non-nuclear Ship Repair	42.8	25.5	(17.3)

Small Disadvantaged Business Participation

Table 2-3 shows participation rates for SDBs by DIG for FYs 1998-99. The FY 1999 SDB participation rates remained within 1 percentage point from the FY 1998 levels for all but two DIGs. The largest changes occurred in Construction Group 17 (down 5 percentage points) and Refuse Systems (up 3.6 percentage points).

Table 2-3
Small Disadvantaged Business Participation Percentage
by Designated Industry Group--All Agencies

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	15.2	16.2	1.0
Construction Group 16	12.3	11.4	(0.9)
Construction Group 17	24.1	19.1	(5.0)
Refuse Systems	12.5	16.1	3.6
A&E Services	5.1	5.1	--
Non-nuclear Ship Repair	12.4	12.6	0.2

Achievement of Goals by the Participating Agencies

Although the overall participation rates of the 10 participating agencies aggregated together provide useful information, they do not reveal the performances of individual agencies in achieving the small business and emerging small business participation goals. Tables 2-4 and 2-5 show the number of participating agencies achieving the small business and emerging small business participation goals for each DIG during FYs 1998-99.

Table 2-4 show that most agencies did not achieve the A&E Services' 40 percent small business participation goal. For the Construction and Refuse Systems DIGs, most agencies met the 40 percent small business participation goal, with all participating agencies achieving the goal for Construction Group 17. One additional agency met the small business participation goal in FY 1999 for Construction Group 16 and Refuse Systems than in FY 1998. During both FY 1998 and FY 1999, only two agencies made contract awards for Non-nuclear Ship Repair. For both fiscal years, the agencies making awards met the small business participation goal.

Table 2-4
Number of Agencies Achieving Small Business Participation Goals

<i>Period</i>	<i>Construction Group 15</i>	<i>Construction Group 16</i>	<i>Construction Group 17</i>	<i>Refuse Systems</i>	<i>A & E Services</i>	<i>Non-nuclear Ship Repair</i>
FY 1998	7	8	10	6	4	2
FY 1999	7	9	10	7	4	2

Table 2-5 lists the number of agencies achieving the 15 percent emerging small business participation goal by DIG during FYs 1998-99. Most agencies did not achieve the A&E Services emerging small business participation goal. For the other five DIGs, a majority of agencies achieved the goal. Two fewer agencies, however, met the Construction Group 15 emerging

small business goal in FY 1999 than in the previous fiscal year while two additional agencies met the Refuse Systems emerging small business participation goal. Only two agencies made contract awards for Non-nuclear Ship Repair for FY 1998 and FY 1999. For both fiscal years, the agencies making awards met the emerging small business participation goal.

Table 2-5
Number of Agencies Achieving Emerging Small Business Participation Goals

<i>Period</i>	<i>Construction Group 15</i>	<i>Construction Group 16</i>	<i>Construction Group 17</i>	<i>Refuse Systems</i>	<i>A & E Services</i>	<i>Non-nuclear Ship Repair</i>
FY 1998	5	8	7	4	2	2
FY 1999	6	6	7	6	3	2

The remainder of this chapter summarizes the results for each of the 10 participating agencies. Appendix A contains contract award data on small, emerging and small disadvantaged businesses from FY 1989 through FY 1999.

Department of Agriculture

Achievement of Participation Goals

The Department of Agriculture's results show that it met the small business and emerging small business participation goals for all DIGs with contracting activity in FY 1999—only one of two agencies to do so (see Table 2-6). Agriculture reported no contracting activity for Non-nuclear Ship Repair.

Table 2-6
FY 1999 Achievement of Participation Goals
by the Department of Agriculture

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	Yes	Yes
Construction Group 16	Yes	Yes
Construction Group 17	Yes	Yes
Refuse Systems	Yes	Yes
A&E Services	Yes	Yes

Small Business and Emerging Small Business Participation

During FY 1999, Agriculture's small business and emerging small business participation rates were among the highest of the participating agencies in all of its five DIGs with contracting activity (see Tables 2-7 and 2-8). For Construction Groups 15 and 17 and for A&E Services, participation rates increased significantly over the FY 1998 to 1999 period. Construction Group 15's increase of almost 50 percentage points may have resulted from the reinstatement of set-asides at the start of FY 1999. Probably most noteworthy was the increase in the A&E participation rate from about 39 percent to more than 73 percent, a figure much higher for this DIG than for most other participating agencies. This increase in small business percentage share is likely related to a sharp decline in the size of A&E contract actions in FY 1999. In FY 1998, the average contract action was \$58,000 while in FY 1999 it had fallen to \$23,000. Smaller sized contracts are more likely, on average, to be awarded to smaller businesses, and this pattern appears to have occurred for A&E Services contracts issued by the Department of Agriculture. The only DIG to show a decline was Construction Group 16, although small business participation still remained at a very high participation rate of greater than 76 percent.

Table 2-7
Percent Participation by Small Business
by Designated Industry Group--Agriculture

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	26.9	76.7	49.8
Construction Group 16	88.9	75.7	(13.2)
Construction Group 17	77.3	92.3	15.0
Refuse Systems	86.9	89.7	2.8
A&E Services	38.9	73.6	34.7

Table 2-8
Percent Participation by Emerging Small Business
by Designated Industry Group--Agriculture

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	9.3	27.8	18.5
Construction Group 16	56.6	45.6	(11.0)
Construction Group 17	67.3	70.9	3.6
Refuse Systems	31.1	38.3	7.2
A&E Services	12.5	27.6	15.1

Small Disadvantaged Business Participation

Agriculture's SDB results for FY 1999 generally showed minor changes from FY 1998 levels for most DIGs (see Table 2-9). Agriculture's SDB participation tended to be below the SDB participation rates of the other participating agencies. Construction Group 15 was the only DIG with a significant increase in SDB participation with participation increasing more than 11 percentage points.

Table 2-9
Percent Participation by Small Disadvantaged Business
by Designated Industry Group--Agriculture

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	5.3	16.8	11.5
Construction Group 16	10.2	13.3	3.1
Construction Group 17	20.2	18.5	(1.7)
Refuse Systems	0	1.6	1.6
A&E Services	0.6	0.9	0.3

Department of Defense

Achievement of Participation Goals

A review of the small business and emerging small business participation rates in the DIGs for FY 1999 shows that the Department of Defense (DoD) had mixed success in achieving the 40 percent participation goal for small business and the 15 percent participation goal for emerging small business (see Table 2-10). DoD was able to reach both participation goals for Construction Groups 17, Refuse Systems, and Non-nuclear Ship Repair. For Construction Group 15, DoD fell just short of the small business participation goal at 39 percent for small business, but it did meet the emerging small business participation goal. The DIGs where DoD did not meet either participation goal were Construction Group 16 and A&E Services.

Table 2-10
FY 1999 Achievement of Participation Goals
by the Department of Defense

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	No	Yes
Construction Group 16	No	No
Construction Group 17	Yes	Yes
Refuse Systems	Yes	Yes
A&E Services	No	No
Non-nuclear Ship Repair	Yes	Yes

Small Business and Emerging Small Business Participation

DoD's FY 1999 small business participation rates were similar to its FY 1998 levels for most DIGs (see Tables 2-11 and 2-12). In general, DOD's participation rates tend to be more stable than those of other agencies because it procures significantly larger amounts from the private sector than the other agencies combined. The most significant change occurred in Construction Group 17, where participation fell by over 6 percentage points in the small business participation rate, and in Non-nuclear Ship Repair where participation declined by almost 9 percentage points for emerging small businesses.

Table 2-11
Percent Participation by Small Business
by Designated Industry Group--DoD

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	40.8	39.2	(1.6)
Construction Group 16	39.3	36.3	(3.0)
Construction Group 17	65.3	59.0	(6.3)
Refuse Systems	54.7	60.1	5.4
A&E Services	16.8	16.4	(0.4)
Non-nuclear Ship Repair	48.5	48.8	0.3

Table 2-12
Percent Participation by Emerging Small Business
by Designated Industry Group--DoD

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	18.2	15.3	(2.9)
Construction Group 16	15.6	13.8	(1.8)
Construction Group 17	32.3	32.5	0.2
Refuse Systems	30.8	32.2	1.4
A&E Services	4.9	5.5	0.6
Non-nuclear Ship Repair	33.3	24.5	(8.8)

Small Disadvantaged Business Participation

SDB participation rates in FY 1999 were similar to the FY 1998 levels for most DIGs (see Table 2-13). Compared to the combined figures for the other participating agencies, DoD had slightly lower participation rates in every DIG category.

Table 2-13
Percent Participation by Small Disadvantaged Business
by Designated Industry Group-DoD

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	16.1	15.8	(0.3)
Construction Group 16	9.4	9.9	0.5
Construction Group 17	18.7	20.2	1.5
Refuse Systems	14.4	14.8	0.4
A&E Services	3.5	3.9	0.4
Non-nuclear Ship Repair	10.1	11.0	0.9

Department of Energy

Achievement of Participation Goals

The Department of Energy experienced success in achieving the small business and emerging small business participation goals for most DIGs during FY 1999 (see Table 2-14). Energy exceeded the 40 percent participation goal for small business and the 15 percent participation goal for emerging small business for all three Construction DIGs as well as for Refuse Systems. The only DIG that Energy did not achieve its goals was A&E Services. Energy reported no contracting activity for Non-nuclear Ship Repair Activities. In general, the Department of Energy has had a relatively low level of contracting activity in all of the DIGs. It has, however, achieved high participation rates in all of the Construction industries and Refuse Services while achieving very low participation rates for A&E Services.

Table 2-14
FY 1999 Achievement of Participation Goals
by the Department of Energy

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	Yes	Yes
Construction Group 16	Yes	Yes
Construction Group 17	Yes	Yes
Refuse Systems	Yes	Yes
A&E Services	No	No

Small Business and Emerging Small Business Participation

Energy's small business and emerging small business participation rates varied significantly from FY 1998 in the DIGs of Construction Group 16 and Refuse Systems (see Tables 2-15 and 2-16). In both DIGs the small business participation rate increased from about 12 percent to more than 80 percent. Energy awards a relatively low amount of contracts within the DIGs, and only a few contract awards can cause large fluctuations in the participation rates. In Refuse Systems, only one contract award was made in FY 1999, and for Construction Group 16, only 32 contract awards were made. For the other three DIGs with contracting activity, the small business participation rates remained essentially unchanged. Emerging small businesses participation rates were above 66 percent in all three Construction DIGs and in Refuse Systems.

Table 2-15
Percent Participation by Small Business
by Designated Industry Group--Energy

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	100.0	100.0	0.0
Construction Group 16	12.7	95.3	82.6
Construction Group 17	95.3	91.9	(3.4)
Refuse Systems	11.9	100.0	88.1
A&E Services	0.9	1.6	0.7

Table 2-16
Percent Participation by Emerging Small Business
by Designated Industry Group--Energy

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	86.5	98.9	12.4
Construction Group 16	5.5	66.5	61.0
Construction Group 17	47.2	89.2	42.0
Refuse Systems	11.9	100.0	88.1
A&E Services	0	0	---

Small Disadvantaged Participation

SDB participation experienced major changes from FY 1998 to FY 1999 in two DIGs (see Table 2-17). SDB participation significantly increased in Refuse Systems, and significantly decreased in Construction Group 15. These changes stemmed from the low number of total actions in both DIGs—15 in Construction Group 15 and one in Refuse Systems. Energy reported no SDB contract awards in A&E Services for the second consecutive year.

Table 2-17
Percent Participation by Small Disadvantaged Business by
Designated Industry Group--Energy

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	83.4	12.5	(70.9)
Construction Group 16	4.2	8.2	4.0
Construction Group 17	30.0	46.9	16.9
Refuse Systems	11.9	100.0	88.1
A&E Services	0	0	--

Environmental Protection Agency

Achievement of Participation Goals

The Environmental Protection Agency (EPA) reported success in achieving its small business participation goals in the four DIGs with contracting activity in FY 1999 (see Table 2-18). However, it did not achieve the emerging small business participation goal in any DIG. EPA reported no contracting activity for Refuse Systems and Non-nuclear Ship Repair during FY 1999. EPA's contracting activity in the DIG categories was the lowest of any of the participating agencies.

Table 2-18
FY 1999 Achievement of Participation Goals by EPA

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	Yes	No
Construction Group 16	Yes	No
Construction Group 17	Yes	No
A&E Services	Yes	No

Small Business and Emerging Small Business Participation

EPA's small business participation rates fluctuated greatly between FY 1998 and FY 1999 in two DIGs (see Tables 2-19 and 2-20). In Construction Group 15, it increased its participation rate by more than 61 percentage points and in A&E Services, it increased its participation rate by almost 99 percentage points. Conversely, small business participation in Construction Group 17 dropped by more than 20 percentage points. In the Construction DIGs, EPA initiated less than 100 contract actions in all three Construction DIGs. In A&E Services as well, contract actions were relatively few in number with less than 100 actions in FY 1999. These relatively small numbers of contract awards tend to result in large changes in participation rates from year to year. In Construction Groups 15 and 16, and for A&E Services, EPA had among the highest level of small business participation among the participating agencies. EPA reported no emerging small business contract awards in any DIG for the second year in a row.

Table 2-19
Percent Participation by Small Business
by Designated Industry Group--EPA

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	25.2	86.9	61.7
Construction Group 16	100.0	100.0	0.0
Construction Group 17	93.3	69.9	(23.4)
A&E Services	1.2	100.0	98.8

Table 2-20
Percent Participation by Emerging Small Business
by Designated Industry Group--EPA

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	0	0	--
Construction Group 16	0	0	--
Construction Group 17	0	0	--
A&E Services	0	0	--

Small Disadvantaged Business Participation

EPA increased its SDB participation in Construction Group 15 while it experiencing declines in Construction Groups 16 and 17 in FY 1999 (see Table 2-21). For A&E Services, it continued to report an extremely low SDB participation rate of just over 1 percent.

Table 2-21
Percent Participation by Small Disadvantaged Business
by Designated Industry Group--EPA

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	25.1	38.5	13.4
Construction Group 16	37.8	28.6	(9.2)
Construction Group 17	33.2	27.0	(6.2)
A&E Services	1.1	1.5	0.4

General Services Administration

Achievement of Participation Goals

The General Services Administration (GSA) had mixed success in achieving its small business and emerging small business participation goals in FY 1999 (see Table 2-22). Construction Groups 16 and 17 and Refuse Systems met the goal for both the small business and emerging small business groups. Goals were not achieved, however, for Construction Group 15 and A&E Services.

Table 2-22
FY 1999 Achievement of Participation Goals by GSA

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	No	No
Construction Group 16	Yes	Yes
Construction Group 17	Yes	Yes
Refuse Systems	Yes	Yes
A&E Services	No	No

Small Business and Emerging Small Business Participation

GSA's small business and emerging small business participation rates increased for the two DIGs of Refuse Systems and A&E Services from FY 1998 to FY 1999 (see Tables 2-23 and 2-24). While the increase for A&E Services (with over 1,000 contract actions) was noteworthy, the increase for Refuse Systems (with only 27 contract actions) stems from the low number of contract actions which tends to lead to wide swings in small business share. Among DIGs with a decline, the small business participation rates were relatively small in percentage point terms. The only exceptions were Construction Group 16, which had a decline of almost 64 percentage points for emerging small businesses, and Refuse Systems which increased more than 50 percentage points in small business share and more than 80 percentage points in emerging small business share. The swings in small business share for Construction Group 16 and Refuse Systems are largely the result of a low number of contract actions in FY 1999. Construction Group 16 had only 37 contract actions while Refuse Systems had only 27 actions.

Table 2-23
Percent Participation by Small Business
by Designated Industry Group—GSA

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	25.1	25.3	0.2
Construction Group 16	100.0	92.3	(7.7)
Construction Group 17	70.6	65.8	(4.8)
Refuse Systems	35.6	88.7	53.1
A&E Services	14.0	30.5	16.5

Table 2-24
Percent Participation by Emerging Small Business
by Designated Industry Group--GSA

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	9.3	10.1	0.8
Construction Group 16	90.6	27.0	(63.6)
Construction Group 17	33.2	24.8	(8.4)
Refuse Systems	6.2	86.7	80.5
A&E Services	5.0	10.9	5.9

Small Disadvantaged Business Participation

GSA continued to have a high level of SDB participation in the DIG categories that had been noted in earlier years (see Table 2-25). SDB participation in the DIGs did, however, result in a significant decline of 52 percentage points for Construction Group 16. However, this was matched by an even larger increase in SDB participation in Refuse Systems of 77 percentage points. These swings, both up and down, are mostly related to the small number of total actions in both of these DIGs. In FY 1999, there were only 37 contract actions in Construction Group 16 and 27 in Refuse Systems. With these low numbers of contract actions, only a few decisions can greatly affect percentages to small businesses.

Table 2-25
Percent Participation by Small Disadvantaged Business
by Designated Industry Group--GSA

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	7.9	7.4	(0.5)
Construction Group 16	96.1	44.2	(51.9)
Construction Group 17	19.6	23.5	3.9
Refuse Systems	4.4	81.5	77.1
A&E Services	0.6	3.2	2.6

Department of Health and Human Services

Achievement of Participation Goals

The Department of Health and Human Services (HHS) met the small business participation goal in all DIGs in which it had awarded contracts in FY 1999 except for Construction Group 15 (see Table 2-26). HHS, however, was able to achieve the emerging small business participation goal for only one DIG, A&E Services. HHS reported no contracting activity for Non-nuclear Ship Repair.

Table 2-26
FY 1999 Achievement of Participation Goals by HHS

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	No	No
Construction Group 16	Yes	No
Construction Group 17	Yes	No
Refuse Systems	Yes	No
A&E Services	Yes	Yes

Small Business and Emerging Small Business Participation

HHS' small business and emerging small business participation rates changed greatly from FY 1998 to FY 1999 for two DIGs (see Tables 2-27 and 2-28). Small business participation increased by more than 23 percentage points in A&E Services and decreased by almost 41 percentage points in Construction Group 15. HHS had among the highest A&E Services small business and emerging small business participation rates of the participating agencies in FY 1999, with small business participation at 87 percent of contract dollars and emerging small business participation at 46 percent. For the second consecutive year, HHS had no emerging small business contracting activity in Refuse Systems.

Table 2-27
Percent Participation by Small Business
by Designated Industry Group--HHS

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	80.4	39.6	(40.8)
Construction Group 16	63.9	66.6	2.7
Construction Group 17	49.8	56.8	7.0
Refuse Systems	81.2	76.4	(4.8)
A&E Services	63.8	87.3	23.5

Table 2-28
Percent Participation by Emerging Small Business
by Designated Industry Group-HHS

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	19.3	5.1	(14.2)
Construction Group 16	23.6	11.3	(12.3)
Construction Group 17	5.0	7.0	2.0
Refuse Systems	0	0	0
A&E Services	29.5	46.1	16.6

Small Disadvantaged Business Participation

SDB participation showed medium to large fluctuations in participation rates between FY 1998 and FY 1999 (see Table 2-29). The most significant changes were increases in participation in Refuse Systems and A&E Services of more than 20 percentage points.

Table 2-29
Percent Participation by Small Disadvantaged Business
by Designated Industry Group-HHS

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	30.1	18.2	(11.9)
Construction Group 16	30.8	40.2	9.4
Construction Group 17	18.1	7.0	(11.1)
Refuse Systems	6.1	29.3	23.2
A&E Services	46.3	69.4	23.1

Department of Interior

Achievement of Participation Goals

The Department of the Interior achieved the small business and emerging small business participation goals in all of the Construction DIGs during FY 1999 (see Table 2-30). However it was unable to achieve its small business goals for Refuse Systems and A&E Services. Similar to last year but unlike previous years, Interior had no contract awards for Non-nuclear Ship Repair.

Table 2-30
FY 1999 Achievement of Participation Goals by Interior

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	Yes	Yes
Construction Group 16	Yes	Yes
Construction Group 17	Yes	Yes
Refuse Systems	No	Yes
A&E Services	No	No

Small Business and Emerging Small Business Participation

Interior's small business and emerging small business participation rates did not vary greatly by DIG from FY 1998 to FY 1999 (see Tables 2-31 and 2-32). Interior's emerging small business participation continued to be among the highest of the participating agencies in two DIGs—Construction Groups 15 and 17. The largest change occurred in Refuse Systems where the participation rate for emerging small businesses fell by almost 28 percentage points.

Table 2-31
***Percent Participation by Small Business
by Designated Industry Group--Interior***

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	79.9	76.3	(3.6)
Construction Group 16	66.7	69.7	3.0
Construction Group 17	83.1	91.2	8.1
Refuse Systems	40.7	38.5	(2.2)
A&E Services	26.3	16.5	(9.8)

Table 2-32
Percent Participation by Emerging Small Business
by Designated Industry Group--Interior

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	50.8	48.2	(2.6)
Construction Group 16	37.4	35.4	(2.0)
Construction Group 17	66.6	61.2	(5.4)
Refuse Systems	48.9	21.1	(27.8)
A&E Services	8.8	8.1	(0.7)

Small Disadvantaged Business Participation

Participation rates in the five DIGs with contract activity barely changed from FY 1998 to FY 1999 (see Table 2-33). The most significant change in SDB participation rates occurred in Construction Group 16, where participation declined by about 6 percentage points. Overall, Interior's SDB participation rates were near the average rates for all participating agencies.

Table 2-33
Percent Participation by Small Disadvantaged Business
by Designated Industry Group--Interior

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	15.1	12.8	(2.3)
Construction Group 16	23.5	17.7	(5.8)
Construction Group 17	22.2	24.9	2.7
Refuse Systems	9.7	9.3	(0.4)
A&E Services	2.9	2.6	(0.3)

National Aeronautics and Space Administration

Achievement of Participation Goals

During FY 1999, the National Aeronautics and Space Administration (NASA) met the small business participation for all DIGs in which it had contract awards, except for A&E Services. It did not, however, achieve the emerging small business participation goal for any DIG (see table 2-34). NASA reported no contracting activity for Non-nuclear Ship Repair.

Table 2-34
FY 1999 Achievement of Participation Goals by NASA

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	Yes	No
Construction Group 16	Yes	No
Construction Group 17	Yes	No
Refuse Systems	Yes	No
A&E Services	No	No

Small Business and Emerging Small Business Participation

NASA's small business and emerging small business participation rates in FY 1999 were similar to the FY 1998 rates for most DIGs (see Tables 2-35 and 2-36). The most significant change occurred in Refuse Systems and A&E Services, where small businesses experienced declines of more than 10 percentage points in participation. For A&E Services, this decline may have resulted from a suspension of set-aside contracting after the small business participation goal of 40 percent was achieved in FY 1998. The largest change occurred in Construction Group 16 where the emerging small business share fell almost 22 percentage points.

Table 2-35
***Percent Participation by Small Business
by Designated Industry Group-NASA***

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	58.4	66.8	8.4
Construction Group 16	86.9	92.3	5.4
Construction Group 17	51.1	49.2	(1.9)
Refuse Systems	73.0	58.6	(14.4)
A&E Services	41.0	28.5	(11.5)

Table 2-36
Percent Participation by Emerging Small Business
by Designated Industry Group--NASA

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	9.4	11.7	2.3
Construction Group 16	23.3	1.6	(21.7)
Construction Group 17	15.2	3.3	(11.9)
Refuse Systems	9.6	11.4	1.8
A&E Services	12.6	10.5	(2.1)

Small Disadvantaged Business Participation

SDB participation showed significant variation between FY 1998 and FY 1999 in two DIGs—Construction Group 15 (up almost 10 percentage points) and Construction Group 17, which was up almost 8 percentage points (see Table 2-37). NASA’s SDB participation was the highest among the participating agencies in Construction Group 15

Table 2-37
Percent Participation by Small Disadvantaged Business
by Designated Industry Group--NASA

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	34.3	43.8	9.5
Construction Group 16	19.5	12.6	(6.9)
Construction Group 17	9.9	17.5	7.6
Refuse Systems	54.1	58.6	4.5
A&E Services	12.8	11.4	(1.4)

Department of Transportation

Achievement of Participation Goals

The Department of Transportation had mixed success in achieving the small business and emerging small business participation goals for the DIGs during FY 1999 (see table 2-38). It met the small business and emerging small business participation goals in Construction Groups 15, 16 and 17 and Non-nuclear Ship Repair, but not in Refuse Systems and A&E Services. Apart from the Department of Defense, Transportation was the only agency to make contract awards in Non-nuclear Ship Repair.

Table 2-38
FY 1999 Achievement of Participation Goals by Transportation

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	Yes	Yes
Construction Group 16	Yes	Yes
Construction Group 17	Yes	Yes
Refuse Systems	No	No
A&E Services	No	No
Non-nuclear Ship Repair	Yes	Yes

Small Business and Emerging Small Business Participation

Transportation's small business participation rates changed significantly from FY 1998 to FY 1999 for two DIGs. Construction Group 15 went up more than 13 percentage points and Refuse Systems declined almost 14 percentage points (see Table 2-39). Small business participation remained unchanged in Construction Group 17 at almost 88 percent. This DIG was among the highest of the participating agencies. Emerging small business participation decreased significantly in Non-nuclear Ship Repair (over 32 percentage points) and in Refuse Systems (down 12 percentage points). Emerging small business participation, however, increased by more than 35 percentage points in Construction Group 15 (see Table 2-40).

Table 2-39
Percent Participation by Small Business
by Designated Industry Group--Transportation

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	68.1	81.5	13.4
Construction Group 16	50.5	44.6	(5.9)
Construction Group 17	87.5	87.6	0.1
Refuse Systems	39.9	26.1	(13.8)
A&E Services	24.1	25.4	1.3
Non-nuclear Ship Repair	80.2	84.4	4.2

Table 2-40
Percent Participation by Emerging Small Business
by Designated Industry Group--Transportation

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	11.4	46.6	35.2
Construction Group 16	15.5	25.6	10.1
Construction Group 17	26.0	46.0	20.0
Refuse Systems	12.4	0.0	(12.4)
A&E	1.7	7.2	5.5
Non-nuclear Ship Repair	66.7	34.2	(32.5)

Small Disadvantaged Participation

SDB participation rates by DIG changed the most for Construction Group 15 which increased more than 24 percentage points between FY 1998 and FY 1999 (see table 2-41). Another significant increase occurred in Non-nuclear Ship Repair which increased almost nine percentage points.

Table 2-41
Percent Participation by Small Disadvantaged Business
by Designated Industry Group--Transportation

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	11.6	36.0	24.4
Construction Group 16	11.8	13.3	1.5
Construction Group 17	23.5	29.1	5.6
Refuse Systems	3.4	3.5	0.1
A&E	10.6	7.4	(3.2)
Non-nuclear Ship Repair	18.3	27.0	8.7

Department of Veterans Affairs

Achievement of Participation Goals

The Department of Veterans Affairs (DVA) met the small business and emerging small business participation goals for all DIGs in which it had awarded contracts in FY 1999—only one of two agencies to do so (see Table 2-42). DVA also met all of its goals in FY 1998. DVA had no contract awards for Non-nuclear Ship Repair.

Table 2-42
FY 1999 Achievement of Participation Goals
by the Department of Veterans Affairs

Designated Industry Group	Small Business	Emerging Small Business
Construction Group 15	Yes	Yes
Construction Group 16	Yes	Yes
Construction Group 17	Yes	Yes
Refuse Systems	Yes	Yes
A&E Services	Yes	Yes

Small Business and Emerging Small Business Participation

DVA's small business and emerging small business participation rates remained high in FY 1999 but generally declined from FY 1998 levels (See Tables 2-43 and 2-44). The largest declines occurred for Construction Group 16. Small business participation fell by more than 42 percentage points to a level of 56 percent and emerging small business participation rate fell by more than 46 percentage points to a level of 28 percent. These large declines in small and emerging small business participation rates are related to the limited number of contract actions in this DIG--only 43 total actions in FY 1999. The emerging small business participation rate for Construction Group 17 also experienced a significant decline of more than 30 percentage points. This was attributed to a large increase of over \$400 million in contracting from the previous year. Both small business and emerging small businesses received the largest amount of contract dollars awarded under the Program, although their participation rates declined.

Table 2-43
Percent Participation by Small Business
by Designated Industry Group--DVA

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	69.1	66.5	(2.6)
Construction Group 16	98.6	56.2	(42.4)
Construction Group 17	87.0	77.8	(9.2)
Refuse Systems	47.8	41.4	(6.4)
A&E Services	52.4	52.7	0.3

Table 2-44
Percent Participation by Emerging Small Business
by Designated Industry Group--DVA

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	17.6	24.5	6.9
Construction Group 16	74.2	28.0	(46.2)
Construction Group 17	50.5	19.1	(31.4)
Refuse Systems	24.8	15.8	(9.0)
A&E Services	30.1	24.0	(6.1)

Small Disadvantaged Participation

SDB participation also varied by DIG from FY 1998 to FY 1999 (see Table 2-45). SDB participation declined by more than 32 percentage points for Construction Group 16 and almost 28 percentage points for Construction Group 17. DVA's SDB participation was among the highest of the participating agencies in A&E Services at 20.6 percent.

Table 2-45
Percent Participation by Small Disadvantaged Business
by Designated Industry Group--DVA

Designated Industry Group	FY 1998	FY 1999	Percentage Point Change
Construction Group 15	15.1	29.4	14.3
Construction Group 16	63.4	31.1	(32.3)
Construction Group 17	49.7	22.0	(27.7)
Refuse Systems	4.7	3.3	(1.4)
A&E Services	14.1	20.6	6.5

CHAPTER 3

NUMBER OF SMALL BUSINESS AND EMERGING SMALL BUSINESS CONTRACT ACTIONS IN THE DESIGNATED INDUSTRY GROUPS

This chapter examines small business and emerging small business participation by the volume of Federal contracting opportunities in each DIG. During FY 1999, the number of total contract actions declined in each DIG from the previous fiscal year (see Table 3-1). These declines were large for a single year, ranging from 9 percentage points for Construction Group 15 to 22 percentage points for Construction Group 16 and Non-nuclear Ship Repair. However, while the total number of contract actions declined in each DIG, the share of contract actions to the small and emerging small business categories varied by DIG category. Small businesses received 55 percent or more of contract actions in the three Construction DIGs, Refuse Systems, and Non-nuclear Ship Repair (see Table 3-2 below). Emerging small business obtained between 25 percent and 42 percent of contract actions in these five DIGs (see Table 3-3 below). About 35 percent of total contract actions were awarded to small businesses and 13 percent to emerging small businesses in the A&E Services DIG.

For three of the DIGs—Construction Group 15, Construction Group 17, and Non-nuclear Ship Repair, the small business share of contract actions declined moderately from the end of FY 1998 through the end of FY 1999. For the DIGs of Construction Group 16, Refuse Systems and A&E Services, the small business share of contract actions increased by a small amount from the previous fiscal year. The stronger movements, however, were for the three DIGs in which the small business share fell. For Construction Group 15, Construction Group 17, and Non-nuclear Ship Repair, the small business share declined in a range of 5 to 7 percentage points from FY 1998 to FY 1999. For the three DIGs in which the shares increased, the increases averaged only a 1/2 percentage point.

Decreases in the share of contract actions to emerging small businesses occurred for all of the Construction DIGs. For Construction Group 15, the share declined 3 percentage points from FY 1998 to FY 1999; for Construction Group 16 the share fell almost 10 percentage points; while for Construction Group 17 the emerging small business share declined almost 2 percentage points. The share of total contract actions to emerging small business has fallen significantly since FY 1990 in all of the Construction DIGs. Over this period, for Construction Group 15, the share declined 37 percentage points; for Construction Group 16 the share fell 22 percentage points; while for Construction Group 17 the emerging small business share declined over 21 percentage points.

Similar to the Construction DIGs, the emerging small business share of contract actions for Non-nuclear Ship Repair fell from FY 1998 to FY 1999, declining more than 14 percentage points. The emerging small business share of contract actions for A&E Services increased 1 percentage point while the share for Refuse Systems increased by 3 percentage points.

Appendix B contains contract actions on small business and emerging small business for each of the participating agencies and all agencies combined.

Table 3-1
Total Number of FY 1999 Awards by Designated Industry Group
(Number of Actions in Thousands)

Fiscal Year	Construction Group 15	Construction Group 16	Construction Group 17	Refuse Systems	A&E Services	Non-nuclear Ship Repair
1998	30.0	13.1	25.3	2.1	14.2	8.5
1999	27.3	10.3	21.9	1.7	12.0	6.7

Table 3-2
Number and Percentage of FY 1999 Small Business Awards by Designated Industry Group
(Number of Actions in Thousands)

Fiscal Year	Construction Group 15	Construction Group 16	Construction Group 17	Refuse Systems	A&E Services	Non-nuclear Ship Repair
1998	18.7 (62%)	8.9 (68%)	19.1 (75%)	1.1 (55%)	4.9 (35%)	6.1 (71%)
1999	15.3 (56%)	7.0 (68%)	15.4 (70%)	1.0 (56%)	4.2 (35%)	4.3 (64%)

Table 3-3
Number and Percentage of FY 1999 Emerging Small Business Awards by Designated Industry Group
(Number of Actions in Thousands)

Fiscal Year	Construction Group 15	Construction Group 16	Construction Group 17	Refuse Systems	A&E Services	Non-nuclear Ship-Repair
1998	8.8 (29%)	5.1 (39%)	11.0 (43%)	0.6 (30%)	1.7 (12%)	4.6 (53%)
1999	7.2 (26%)	3.0 (29%)	9.2 (42%)	0.6 (33%)	1.5 (13%)	2.6 (39%)

CHAPTER 4

SMALL BUSINESS PARTICIPATION IN THE TARGETED INDUSTRY CATEGORIES

Introduction

One of the primary objectives of the Small Business Competitiveness Demonstration Program (the Program) is to measure whether the use of targeted goaling will expand small business participation in activities in which Federal contracting opportunities have historically been low for small business. Each participating agency must establish 10 Targeted Industry Categories (TIC) for increased participation by small businesses. The three statutory criteria for selecting of these industry categories are:

- Categories must be recipients of substantial purchases by the Federal Government;
- Categories must have a small business participation rate of less than 10 percent; and,
- Categories must have significant amounts of small business production capacity not previously utilized by the Government.

A number of agencies found it difficult to identify TICs that satisfy all three criteria. All agencies were eventually able to identify targeted areas with a potential to increase small business shares. It is doubtful, however, that they met the statutory criteria in every case. Five of the agencies (GSA, Transportation, Agriculture, Energy and EPA) have added and replaced some of the original TICs since the Program first originated in 1989. Goals were not generally provided with the new TICs. In accessing goal achievement for the new TICs, this report has used the lowest goal associated with the replaced TICs. In some cases, the TICs were selected based on Product and Service Codes (PSC) and at other times on Standard Industrial Classification (SIC) codes. Some agencies used a combination of the two. Agencies establish TIC goals on an annual basis. Since FY 1993, agencies report TIC results on a fiscal year basis. Before 1993, however, the TIC data were reported on a calendar year basis. Appendix C of this report shows the participating agencies' TICs and the awards made during calendar year 1992 and fiscal years 1993 through 1999.

This chapter provides data on, and discusses the participating agencies' TIC results for FY 1999. The discussion begins by summarizing the performance of all participating agencies combined, including a discussion of the total number of TIC goals met and the total amount of contracting to small businesses in the TICs.

Overview of TIC Awards—All Agencies

The participating agencies' TIC results show the same success in achieving their goals during FY 1999 when compared to FY 1998. In FY 1999, the participating agencies met their goals in 45 of the 100 TICs, the same number of TIC goals achieved in the previous fiscal year (see Table 4-1). Goals were not met in 33 TICs in which contract awards were made, three fewer than the previous year. Of the remaining 55 categories, no awards were made in 22 categories, three more than the previous year.

**Table 4-1
Number of TIC Goals Achieved by Agency**

Agency	Fiscal Year	Goals Achieved	Goals Not Achieved	TICs With No Contracting Activity
Agriculture	1998	3	1	6
	1999	3	2	5
Defense	1998	5	5	0
	1999	3	7	0
Energy	1998	2	1	7
	1999	2	0	8
Environmental Protection Agency	1998	4	6	0
	1999	4	5	1
General Services Administration	1998	8	0	2
	1999	7	0	3
Health and Human Services	1998	6	3	1
	1999	8	1	1
Interior	1998	5	4	1
	1999	5	4	1
NASA	1998	6	4	0
	1999	7	3	0
Transportation	1998	4	5	1
	1999	4	4	2
Veterans Affairs	1998	2	7	1
	1999	2	7	1
Total All TICs	1998	45	36	19
	1999	45	33	22

Table 4-2 shows total Federal contract dollars and small business dollar awards in the TICs for FY 1993 through FY 1999. Fiscal years 1996 through 1999 show a substantial increase in total contract awards in the TICs over previous years. In these four fiscal years, total contract awards were three to four times the levels of previous fiscal years. These changes were attributable to DoD, where contracting activity in the TIC categories rose from approximately \$2 billion per year in FY 1993 through FY 1995, to \$15 billion per year in FY 1996 and FY 1997, and to \$17 billion in FY 1998 and 1999. These higher numbers stemmed from improvements in DOD's reporting procedures.

Table 4-2
Contract Dollars
in the Targeted Industry Categories

Fiscal Year	Total	Small Business	Percent to Small Business
1993	\$5,647,929,197	\$529,153,030	9.4
1994	\$5,286,156,137	\$556,458,526	10.5
1995	\$5,251,847,465	\$435,711,193	8.3
1996	\$18,562,171,142	\$1,368,019,442	7.4
1997	\$18,777,973,773	\$1,123,973,773	6.0
1998	\$22,083,896,048	\$1,631,854,142	7.4
1999	\$21,490,526,768	\$1,807,956,376	8.4

The participating agencies aggregated together increased the share of TIC contract award dollars to small business to 8.4 percent in FY 1999, up from the 7.4 percent share in FY 1998. This higher percentage resulted from an additional \$176 million in contracts awarded to small businesses while the total contract dollars aggregated from all TIC categories fell by approximately \$600 million.

The relative importance of DoD's contracting activities in the TIC categories can strongly influence the overall percentages for all agencies combined. Over 80 percent of TIC awards in recent years have been generated by the Department of Defense. The two tables below separately tabulate DoD TIC awards from the civilian agencies' awards for comparative purposes.

Table 4-3
Contract Dollars in the Targeted
Industry Categories Reported by the Civilian Agencies

Fiscal Year	Total	Small Business	Percent to Small Business
1993	\$3,599,692,197	\$463,830,030	12.9
1994	\$3,407,223,137	\$506,851,526	14.9
1995	\$3,452,775,465	\$381,164,193	11.0
1996	\$3,527,434,142	\$512,505,442	14.5
1997	\$2,851,250,773	\$318,621,773	11.2
1998	\$5,351,587,048	\$884,821,142	16.5
1999	\$3,934,121,768	\$936,112,376	23.8

These two tables give another perspective on the participating agencies' achievements in encouraging small business participation in the TICs. The civilian agencies (Table 4-3) appreciably increased the small business share in the latest two fiscal years. During FY 1993-97, the small business share ranged between 11 percent to almost 15 percent. In FY 1998, however, it reached 16.5 percent and in FY 1999 it reached almost 24 percent. Overall, the civilian agencies have had much better TIC experience in the last two fiscal years than in previous fiscal years when measured in percentage terms. This occurred despite total contracting in the TICs falling by \$1.4 billion in FY 1999 to a level more in line with earlier years than FY 1998. Total small business contracting, however, increased by \$51 million leading to the increase of 7.3 percentage points.

Table 4-4
Contract Dollars in the Targeted
Industry Categories Reported by DoD

Fiscal Year	Total	Small Business	Percent to Small Business
1993	\$2,048,237,000	\$65,323,000	3.2
1994	\$1,878,933,000	\$49,607,000	2.6
1995	\$1,799,072,000	\$54,547,000	3.0
1996	\$15,034,737,000	\$855,514,000	5.7
1997	\$15,926,763,000	\$805,352,000	5.1
1998	\$16,732,309,000	\$747,033,000	4.5
1999	\$17,556,405,000	\$871,844,000	5.0

The experience of the DoD shows an increase in the percentage of TIC contract dollars to small businesses in FY 1999 to 5.0 percent from 4.5 percent in FY 1998 (See Table 4-4). Moreover, total contracting in the TIC categories increased in DoD from \$16.7 billion in FY 1998

to \$17.6 billion in FY 1999. This combination of greater contracting in the TIC categories and a higher percentage share to small businesses resulted in an increase of \$125 million in awards to small businesses in the TIC categories for DoD.

In conclusion, both the civilian agencies and the DoD increased small business shares in FY 1999, with the much larger percentage increase occurring for the civilian agencies. For all agencies combined, there was an increase in share for FY 1999 over the FY 1998 figure of 1 percentage point. Total contracting to small businesses among all agencies increased \$176 million, with \$125 million awarded in DoD and \$51 million in the civilian agencies.

CHAPTER 5

CONCLUSIONS

During FY 1999, the 10 participating agencies collectively exceeded both the 40 percent small business and the 15 percent emerging small business participation goals for each DIG covered by the Program, except for A&E Services. Although goals were generally met, Construction Group 15 and Construction Group 16 exceeded the 40 percent small business goal by only 3 percentage points or less. Although each agency's experience varied, the general success in meeting goals suggests that in these DIG categories, set-asides were fairly uncommon.

For A&E Services, the participating agencies on a collective basis did not achieve the small business and emerging small business participation goals of 40 percent and 15 percent, respectively, for FY 1999. Small business participation was just over 22 percent while the emerging small business participation rate was 6.7 percent--a little less than one half of the goal. Only three agencies met both the A&E Services small business and the emerging small business participation goals.

Among the individual participating agencies, achievement of the small business participation goals for the other DIG categories varied. Most agencies met the small business participation goal in the Construction, Refuse, and Non-nuclear Ship Repair DIGs. One additional participating agency met the goal in Construction Group 16 and Refuse Systems in FY 1999 than in the previous fiscal year.

The agencies in general had more difficulty in achieving the 15 percent participation goal for emerging small businesses than in achieving the participation goal for small businesses. As discussed above, the A&E Services' emerging small business participation goal was not met by seven of the participating agencies. The agencies also experienced some difficulty in achieving the goal in Construction Groups 15 and 16, and Refuse Systems. In each of these DIGs, four of the participating agencies were unable to achieve the goal. The largest changes occurred in Refuse Systems where two additional participating agencies achieved the emerging small business participation goal, and Construction Group 16 where two fewer agencies achieved the goal.

A review of overall small business and emerging small business participation rates between FY 1998 and FY 1999 indicated that previously noted downward trends may have resumed in the Construction and Non-nuclear Ship Repair DIGs. However, the Refuse Systems and Non-nuclear Ship Repair DIGs increased their small business and emerging small business participation rates by small amounts.

Also, changes in small business and emerging small business participation for most participating agencies varied from agency to agency. DoD's FY 1999 participation rates for both small business and emerging small business categories were similar to its FY 1998 levels for most DIGs. As the agency with more contracting activity than all of the other participating agencies

combined, its participation rates tend to be more stable from year to year. NASA's emerging small business participation rates were also similar between FY 1998 and FY 1999 for most DIGs. The other agencies, however, tended to vary more in their participation rates, changes that are related to their relatively low amount of contracting activity.

This report also addresses the goals and accomplishments of the participating agencies in the 10 industry categories targeted by each agency for expanded small business participation. For FY 1999, the goals were met in 45 of the 100 targeted industry categories, exactly the same number of goals achieved in FY 1998. No awards were made in 22 TICs, three more than the previous year while goals were not achieved in 33 targeted categories, three less than the previous year.

The percent of contract dollars awarded to small businesses in the TICs was 8.4 percent in FY 1999, an increase of 1 percentage point over the 7.4 percent of contract dollars awarded in FY 1998. The improved results in percentage terms stemmed from a greater amount of small business contract awards in both the civilian agencies and DoD. This increase occurred even though total contracting in the TIC categories increased in DoD and decreased in the civilian agencies.

The SBA's review of the FY 1999 results of the Program concludes that small businesses and emerging small businesses have declined somewhat in their level of participation in Federal procurement within most of the DIGs, and increased somewhat their participation in the TICs from the FY 1998 results. Although agencies collectively achieved the 40 percent participation rate in all DIG industries except A&E Services, we are concerned that the small business shares in the DIGs will continue to decline. Moreover, while DIG participation rates in A&E Services increased 2 percentage points, we continue to be concerned about participation rates in this industry. The participating agencies need to focus more attention on this DIG to help maintain and increase in participation rates above the Program's participation goals. Although the agencies significantly increased their overall share of TIC contracts to small business, we are also concerned that a lower amount of contracting activity is occurring in the civilian agencies in FY 1999 than FY 1998. These agencies need to ensure that contract opportunities are available in TIC categories, as well as encouraging small business participation within the categories. If significant levels of contracting are not available in selected TIC categories, the participating agencies should consider changing TIC categories.

APPENDICES

Note: The tables that make up Appendices A, B and C (listed below) are available in printed form by contacting SBA's Office of Small Business Size Standards at (202) 205-6618 or by contacting us by email at sizestandards@sba.gov. Appendix D is available on SBA's Website at <http://www.sba.gov/size/OFPP-6-2-99.pdf>.

- A. Tables for Agency Contract Dollars by Designated Industry Group
- B. Tables for Agency Actions by Designated Industry Group
- C. Tables of Targeted Industry Categories as Selected by Participating Agencies
- D. Interim and Final Policy Directives