



Office of Advocacy  
U.S. Small Business Administration

## **Federal Procurement from Small Firms:**

**National and State-by-State Rankings of Federal Procurement Centers  
on their Procurement from Small Firms in FY 1998**

**March 1999**

This report contains research prepared by the Office of Advocacy of the U.S. Small Business Administration. The opinions herein do not necessarily reflect official policies or positions of the U.S. Small Business Administration or any agency of the U.S. government. For further information, contact the Office of Advocacy, U.S. Small Business Administration, Mail Code 3112, Washington, D.C. 20416. The complete study is available on the World Wide Web at <http://www.sba.gov/advo/stats/#GR>.

## Foreword

The SBA's Office of Advocacy is pleased to release *Federal Procurement from Small Firms*. This state by state study has new data to help policymakers and small business leaders ask appropriate questions of procurement center leaders in their areas. The study ranks 2,235 federal procurement centers on their levels of prime contracting with small firms in fiscal year 1998. It finds:

- During FY 1998, small firms received just 18.3 percent—\$33.2 billion—of the \$181.7 billion spent by the federal government in prime contracts over \$25,000.
- Overall, the centers with the most to spend spent the least on small businesses. The bottom 30 percent of the centers in small business spending controlled 66.2 percent of the prime contract dollars and spent just 6.3 percent—\$7.6 billion—on small firms.
- Of the 2,235 procurement centers studied, 213 or 9.5 percent, awarded 100 percent of their prime contract dollars to small firms: just eight of these had more than \$5 million to spend. Another 260 centers, or 11.6 percent, awarded no dollars to small firms: one of these centers spent \$1.8 billion—none on small firms.
- More than half of the centers (1,381 or 61.8 percent) spent at least 30 percent of their dollars on small firms. At the median: Fort Shafter, Hawaii's Department of the Army, which awarded 43.5 percent to small firms. If every center had met this median level, the small firm dollars would have more than doubled, to \$79 billion.

This study continues a 20-year Office of Advocacy tradition of studying federal procurement trends. Since 1982, the office has prepared a procurement appendix for the annual report, *The State of Small Business: A Report of the President*. The series—which currently spans 1982-1997—contains data by purchasing agency, state and major items purchased. The latest editions are on our Web site at <http://www.sba.gov/ADVO/stats>.

The office has also sponsored more than 30 research studies on procurement issues. Most recently, Advocacy has been examining the effect of contract bundling on small and women- and minority-owned business procurement shares. Detail on Advocacy's procurement research is available at <http://www.sba.gov/ADVO/research/#procurement>.

I hope you will find the new procurement center rankings useful in evaluating the state of federal procurement from small firms. Future editions to be released this spring will contain rankings for purchases from women- and minority-owned firms. I welcome comments on the study at (202) 205-6533. Comments may also be addressed to Major Clark, assistant chief counsel for procurement at (202) 205-7150 or to Bruce D. Phillips, director of Advocacy's Office of Economic Research, (202) 205-6975.



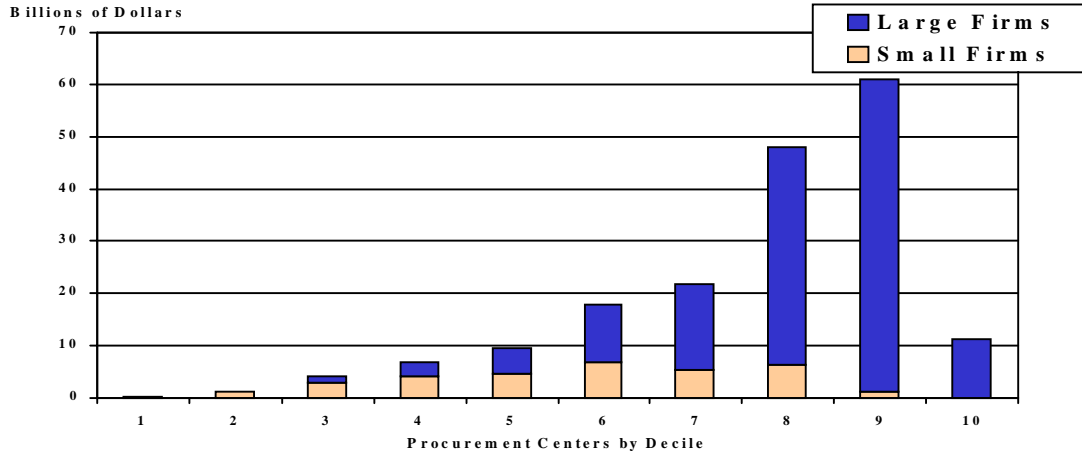
Jere W. Glover  
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## Federal Procurement from Small Firms

*Federal Procurement from Small Firms* ranks 2,235 federal procurement centers on their levels of procurement from small businesses during fiscal year 1998. Because of reporting constraints, this review looks only at prime contracts over \$25,000; prime contracts of less than \$25,000 and subcontracts are not included. Among the highlights of the national study are the following:

- During FY 1998, the federal government spent a total of \$181.7 billion for goods and services in prime contracts over \$25,000.
- Small businesses received just \$33.2 billion or 18.3 percent of the prime contract total— less than the 23 percent nationwide prime contract goal for procurement from small firms. (Because small firms generally receive larger shares of the smallest contracts, adding in the small business share of the contracts under \$25,000 would increase this level to some degree.)
- Generally, the procurement centers with the most to spend spent the least on small firms (see chart). Overall, two-thirds (66.2 percent or \$120.2 billion) of the total prime contract dollars available were controlled by the lowest ranking 30 percent of the centers—those that spent the least on small firms. These centers spent on average just 6.3 percent of their dollars on small firms, for a total of \$7.6 billion—22.9 percent of the small business total. (One center alone in this group spent \$1.8 billion—an amount equal to almost one-quarter of this \$7.6 billion—and none of it on small firms.)
- Conversely, the remaining one-third (33.8 percent or \$61.4 billion) of the total prime contract dollars were awarded by the highest-ranking 70 percent of the procurement centers--those that spent the most on small firms. These centers spent an average of 41.6 percent of their dollars on small firms for a total of \$25.6 billion or 77.1 percent of the small firm total.
- Of the 2,235 procurement centers studied, 213, or 9.5 percent, achieved the maximum possible, awarding 100 percent of their prime contract procurement dollars to small firms during FY 1998. Of these procurement centers, the single largest procurement, of \$46.7 million, came from the Department of Energy in Grand Junction, Colorado. Just eight of these centers spent more than \$5 million.
- Another 260 centers or 11.6 percent, did no business with the small firm sector; that is, none of their prime contract dollars went to small firms. Some very large procurements in the millions of dollars were included in this group from a variety of federal government agencies.

## Most Federal Prime Contract Dollars are Awarded by Procurement Centers that Spend Little on Small Firms



Note: Data are for all of fiscal year 1998. Deciles range from 1 to 10 based on the share of prime contract dollars going to small firms, with decile 1 representing the 10 percent of the 2,235 procurement centers that awarded the largest shares of prime contract dollars over \$25,000 to small firms (99.9 percent); decile 10 represents the 10 percent that awarded the smallest shares to small firms (0 percent).

- An additional 159 procurement centers (7.1 percent) bought less than 5 percent of their goods and services from small firms. Some installations from the Department of Defense and National Aeronautics and Space Administration are included in this group.
- And more than half of the centers (1,381 or 61.8 percent) awarded at least 30 percent of their contract dollars to small businesses. In fact, the median rank of 1,118 was achieved by the Department of the Army in Fort Shafter, Hawaii, which provided 43.5 percent of its prime contract dollars—\$55.1 million—to small firms in FY 1998. If all other procurement centers had met this median level, the contract dollars going to small firms would have more than doubled, to almost \$80 billion.
- Procurement from small firms was concentrated in engineering and management services, general construction, and real estate services. Next, but much further down on the scale, were health services, business services, electronic equipment, and transportation equipment. Some of the services once procured almost exclusively from small firms, such as janitorial and commissary services, are no longer small firms' exclusive domain.
- In general (with some exceptions) procurement centers that have a history of doing business with small firms continued to do so in most of the years covered in the study. Conversely, procurement centers with little history of doing business with small firms continued that pattern over the FY 1993-FY 1998 period.

Again, because of data limitations, these rankings are for dollars in prime contracts over \$25,000 only, and do not cover prime contracts under \$25,000 and subcontracts to small firms by larger firms. In future years, the subcontracting data should be available to give a more complete picture of federal procurement from small firms. Note also that dollars originating from a given state may or may not be spent in that state.

This national summary, also available state-by-state, includes a U.S. summary table and a more detailed table showing all 2,235 procurement centers. Defined in an appendix are the two-digit standard industrial classification codes used in the tables.

### **U.S. Summary Table: Definition of Columns**

1. The deciles or 10 percent intervals into which the procurement centers fall. Decile 1 represents the top 10 percent of the procurement centers in dollar shares awarded to small businesses. Decile 10 represents the bottom 10 percent of procurement centers in the percentage of dollars awarded to small businesses.
2. The average percentages of dollars given to small firms in each decile. The average level of awards in the first decile was 99.9 percent—that is, 10 percent of the centers awarded almost 100 percent of their award dollars to small businesses. The average for the tenth decile was 0.

3. The total dollar amount (in thousands of dollars) awarded to small firms in each decile. For example, in the second decile, \$1.1 billion worth of goods and services were procured from small firms. In the sixth decile—the largest in dollar terms for small firm procurement—small firms sold \$6.9 billion worth of products to the federal government.
4. The share of total federal procurement associated with each decile. For example, in the first decile, in which the procurement centers awarded almost 100 percent of their dollars to small firms, the total dollars available represented only 0.2 percent of total federal prime contract dollars. In contrast, 33.5 percent of total prime contract dollars were found in the ninth decile, where the average share of dollars going to small firms was just 2.1 percent.
5. The total federal dollars spent by each group or decile. For example, in the first decile, the federal government's procurement centers spent about \$340 million for goods and services from all businesses; in contrast, in the ninth decile, federal procurement centers spent \$60.9 billion.

#### **The Procurement Center Ranking Table: Definition of Columns**

The procurement center ranking table contains 13 columns. The names of the procuring agencies are given in rank order (by percentage of procurement going to small firms and within percentages, by dollar amount), starting with the highest ranked center. As delineated below, the tables contain the procurement center rankings, the small business share, the small business total, and the overall total dollars spent by each federal buying office for fiscal years 1998 and 1997. The tables also present the average small business shares for each procurement center for fiscal years 1993-1996.

1. The abbreviated names of the federal agencies making purchases.
2. The full name of the specific procuring agency in rank order. For example, if the buying office is part of the Defense Department, column 2 will show whether it is part of the Army, Navy, or Air Force.
3. The exact location of each buying facility, including zip code and congressional district (in parentheses). As indicated in the footnote to each table, some congressional districts are at large (code 00), in multiple districts (code 90), in districts or territories (code 98), or in foreign territories (code APO).
4. The major two-digit standard industrial classification (SIC) code, showing the most important type of product or service purchased by each buying facility. For example, in Alaska, many purchases were in SICs 15 (general construction) and 48 (communications). The appendix lists the industries identified by the SIC codes.

5. The overall national ranking (of a total of 2,235) of each buying facility, based on its share of total dollars going to small firms in FY 1998. Centers that awarded the same percentages to small firms are further ranked by the number of dollars that went to small firms. For example, although both awarded 100 percent to small firms, the Department of Energy in Grand Junction, Colorado, was ranked first because it awarded \$46.7 million to small firms, compared with \$24.6 million from number 2—the Department of Transportation (Coast Guard) in Marinette, Wisconsin.
6. The percentage of federal dollars that went to small firms from each buying facility in FY 1998.
7. The total dollars (in thousands) that went to small businesses from each buying facility in FY98.
8. The total federal dollars (in thousands) spent by each buying facility in FY 1998. Divide the dollars in column 7 by those in column 8 to obtain the share in column 6.
9. The national ranking (comparable to that in column 5) of each purchasing center in FY 1997.
10. The percentage of procurement dollars going to small firms in FY 1997.
11. The total dollars that went to small firms in FY 1997.
12. The total dollars spent by each procurement center in FY 1997. Divide the dollars in column 12 by those in column 11 to obtain the share in column 10.
13. The average share of federal procurement dollars going to small businesses from the procurement center between FY 1993 and FY 1996. Because of major changes in federal acquisition patterns during these periods, there is considerable variation in the percentages shown in columns 6, 10, and 13.

**The State Tables: Definition of Columns**

Each state table contains 13 columns. Within each state, the names of the procuring agencies are given in alphabetical order. As delineated below, the tables contain the procurement center rankings, the small business share, the small business total, and the overall total dollars spent by each federal buying office for fiscal years 1998 and 1997. The tables also present the average small business shares for each agency for fiscal years 1993-1996. Totals are provided in the last line of each state table for overall state small business procurement shares, small business procurement dollars, and total money spent in fiscal years 1998 and 1997.

1. The abbreviated names of the federal agencies making purchases in the state.

2. The full name of the specific procuring agency in alphabetical order. For example, if the buying office is part of the Defense Department, column 2 will show whether it is part of the Army, Navy, or Air Force. Sub-units of an agency are also listed in alphabetic order.
3. The exact location of each buying facility, including zip code and congressional district (in parentheses). As indicated in the footnote to each table, some congressional districts are at large (code 00), in multiple districts (code 90), in districts or territories (code 98), or in foreign territories (code APO).
4. The major two-digit standard industrial classification (SIC) code, showing the most important type of product or service purchased by each buying facility. For example, in Alaska, many purchases were in SICs 15 (general construction) and 48 (communications). The appendix lists the industries identified by the SIC codes.
5. The overall national ranking (of a total of 2,235) of each buying facility, based on its share of total dollars going to small firms in FY 1998. Centers that awarded the same percentages to small firms are further ranked by the number of dollars that went to small firms. For example, although both awarded 100 percent to small firms, the Department of Energy in Grand Junction, Colorado, was ranked first because it awarded \$46.7 million to small firms, compared with \$24.6 million from number 2—the Department of Transportation (Coast Guard) in Marinette, Wisconsin.
6. The percentage of federal dollars that went to small firms from each buying facility in FY 1998.
7. The total dollars (in thousands) that went to small businesses from each buying facility in FY98.
8. The total federal dollars (in thousands) spent by each buying facility in FY 1998. Divide the dollars in column 7 by those in column 8 to obtain the share in column 6.
9. The national ranking (comparable to that in column 5) of each purchasing center in FY 1997.
10. The percentage of procurement dollars going to small firms in FY 1997.
11. The total dollars that went to small firms in FY 1997.
12. The total dollars spent by each procurement center in FY 1997. Divide the dollars in column 12 by those in column 11 to obtain the share in column 10.
13. The average share of federal procurement dollars going to small businesses from the procurement center between FY 1993 and FY 1996. Because of major changes in federal acquisition patterns during these periods, there is considerable variation in the percentages shown in columns 6, 10, and 13.



The attached appendix lists the industry identifications of the two-digit SIC codes found in the procurement center ranking table.

## Appendix: Two-Digit SIC Codes

### SIC Code

### 1987 Industry

#### **Agriculture, forestry, and fishing**

- 01 Agricultural production – crops
- 02 Agricultural production livestock and animal specialties
- 07 Agricultural services
- 08 Forestry
- 09 Fishing, hunting, and trapping

#### **Mining**

- 10 Metal mining
- 12 Coal mining
- 13 Oil and gas extraction
- 14 Mining and quarrying of nonmetallic minerals, except fuels

#### **Construction**

- 15 Building construction – general contractors and operative builders
- 16 Heavy construction other than building construction – contractors
- 17 Construction – special trade contractors

#### **Manufacturing**

- 20 Food and kindred products
- 21 Tobacco products
- 22 Textile mill products
- 23 Apparel and other finished products made from fabrics and similar material
- 24 Lumber and wood products, except furniture
- 25 Furniture and fixtures
- 26 Paper and allied products
- 27 Printing, publishing, and allied industries
- 28 Chemicals and allied products
- 29 Petroleum refining and related industries
- 30 Rubber and miscellaneous plastics products
- 31 Leather and leather products
- 32 Stone, clay, glass, and concrete products
- 33 Primary metal industries
- 34 Fabricated metal products, except machinery and transportation equipment
- 35 Industrial and commercial machinery and computer equipment
- 36 Electronic and other electrical equipment and components, except computer equipment
- 37 Transportation equipment
- 38 Measuring, analyzing, and controlling instruments; photographic, medical and optical goods; watches and clocks
- 39 Miscellaneous manufacturing industries

#### **Transportation, communications, electric, gas, and sanitary services**

40	Railroad transportation
41	Local and suburban transit and interurban highway passenger transportation
42	Motor freight transportation and warehousing
43	United States Postal Service
44	Water transportation
45	Transportation by air
46	Pipelines, except natural gas
47	Transportation services
48	Communications
49	Electric, gas, and sanitary services

### **Wholesale trade**

50	Wholesale trade – durable goods
51	Wholesale trade – nondurable goods

### **Retail trade**

52	Building materials, hardware, garden supply, and mobile home dealers
53	General merchandise stores
54	Food stores
55	Automotive dealers and gasoline service stations
56	Apparel and accessory stores
57	Home furniture, furnishings, and equipment stores
58	Eating and drinking places
59	Miscellaneous retail

### **Finance, insurance, and real estate**

60	Depository institutions
61	Nondepository credit institutions
62	Security and commodity brokers, dealers, exchanges and services
63	Insurance carriers
64	Insurance agents, brokers, and service
65	Real estate
67	Holding and other investment offices

### **Services**

70	Hotels, rooming houses, camps and other lodging places
72	Personal services
73	Business services
75	Automotive repair, services, and parking
76	Miscellaneous repair services
78	Motion pictures
79	Amusement and recreation services
80	Health services
81	Legal services
82	Educational services
83	Social services
84	Museums, art galleries, and botanical and zoological gardens
86	Membership organizations
87	Engineering, accounting, research, management, and related services
88	Private households
89	Miscellaneous services

## U.S. Summary: Purchasing Office Prime Contracting by Decile Ranking, FY 1998

Decile	Small Business Share of Dollars in Decile (Percent)	Small Business Dollars in Decile (Thousands)	Decile Share of Total Dollars (Percent)	Total Dollars in Decile (Thousands)
1	99.9	340,482	0.2	340,707
2	91.5	1,134,755	0.7	1,239,728
3	74.5	3,053,719	2.3	4,099,058
4	60.1	4,056,959	3.7	6,750,580
5	49.1	4,657,991	5.2	9,485,807
6	38.5	6,874,452	9.8	17,837,900
7	25.2	5,467,268	12.0	21,736,418
8	13.1	6,305,748	26.4	47,971,652
9	2.1	1,287,996	33.5	60,932,923
10	0.0	0	6.2	11,279,263
<b>Total</b>	<b>18.3</b>	<b>33,179,370</b>	<b>100.0</b>	<b>181,674,036</b>

Note: Decile 1 represents the 10 percent of the procurement centers that awarded the largest shares of prime contract dollars over \$25,000 to small firms; decile 10 represents the 10 percent that awarded the smallest shares to small firms.

Source: Eagle Eye Publishers, Fairfax, Virginia under contract with the U.S. Small Business Administration, Office of Advocacy, 1999.