



SMALL BUSINESS

RESEARCH SUMMARY

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Characteristics of Federal Government Procurement Spending With Veteran-Owned Businesses: FY 2000 – FY 2003 (3Q)

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Public Law 106-50, enacted in 1999, established a statutory goal that 3 percent of all federal contract dollars should be awarded to firms owned and controlled by service-disabled veterans. To track progress toward this goal, the General Services Administration (GSA) has introduced codes into its Federal Procurement Data System (FPDS) indicating ownership by veterans or by service-disabled veterans.

Overall Findings

The authors created a new database of prime contracts to veteran-owned firms to compare with the GSA's official database. Through a careful recoding procedure and analysis, they found that the coding in the FPDS substantially understated the number of veteran-owned businesses and the level of procurement going to them. Federal agencies are actually providing far more contracts and dollars to veteran-owned firms than they are reporting. An improved strategy to identify and include in the FPDS those veteran-owned firms identified by the authors could triple the contract dollars now being recorded. Although the number of veteran-owned firms recognized in the FPDS is steadily increasing, better education and marketing by both agencies and veterans themselves is needed to remedy the underutilization of these firms.

Highlights

- Official statistics on procurement awards to veteran-owned businesses indicate that federal agencies awarded 0.6 percent of their total prime contract dollars to veteran-owned firms in FY 2002 and 0.4 percent in FY 2001.
- Official statistics show that the share of prime contract awards going to service-disabled veteran-owned businesses in FY 2002 was 0.12 percent, down from 0.22 percent in FY 2001.
- Official statistics show a reversal from FY 2001 to FY 2002 in the number of federal contractors owned by service-disabled veterans and those owned by other veterans. The former fell by 58 percent, while the latter rose by 147 percent. Given how recently agencies began using the veteran ownership code, this dramatic change may be the result of a reclassification of service-disabled firms to veteran-owned firms in FY 2002.
- Including the veteran-owned businesses identified by the authors' recoding procedure, the authors found that the value of contracts awarded to veteran-owned firms was triple the officially reported level in FY 2001 and double the level reported in FY 2002.
- The combined prime contract revenues of veteran-owned firms recognized by GSA and those identified by the authors together accounted for 1.7 percent of all federal prime contract revenues in FY 2002 and 1.6 percent in FY 2001.

- Status codes indicating veteran ownership in the FPDS are assigned inconsistently. Around 3 percent of veteran-owned firms in the database showed multiple veteran-owned status codes.

- Based on total prime contract revenues between FY 2000 and FY 2003, revenue to veteran-owned businesses on average was 27 percent smaller than that for the average small business federal contractor.

- The average size of a small business federal contract in FY 2002 was \$392,931. The average size of a veteran-owned business prime contract recognized by the government (including those to service-disabled veterans) was \$345,758, or 12 percent less than the average small business contract.

- Businesses owned by service-disabled veterans are receiving smaller contracts than other veteran-owned businesses and small businesses generally. The average contract to a business owned by a service-disabled veteran, and recognized as such by the government, was for \$340,028, or approximately 13.5 percent less than the average contract to a small prime contractor, and 1.7 percent less than the average contract to a veteran-owned firm.

- In contrast, the average size of contracts to firms which the authors identified as veteran-owned was \$465,944, 34.8 percent larger than shown in the FPDS.

- Veteran-owned business procurement spending is highly concentrated among agencies. The top three agencies contracting with veteran-owned businesses accounted for 76 percent of the total value of all prime contracts to veteran-owned firms; the top 10 agencies accounted for 93 percent.

- One hundred veteran-owned businesses accounted for 43 percent of all prime contract dollars to veteran-owned businesses in FY 2002.

- In FY 2002, the average GSA Schedule contract to a veteran-owned business was worth \$948,000, nearly three times more than the average veteran-owned business contract.

- Between FY 2000 and the third quarter of FY 2003, 50 percent of all contracts awarded to veteran-owned business were classified as small purchases. These small purchases accounted for just 6.7 percent of total veteran-owned business revenue.

- Approximately 81 percent of all contract dollars to veteran-owned business were spent on services in FY 2002; 19 percent were spent in manufacturing.

Data Sources and Methodology

The authors created their own procurement database of prime contracts to veteran-owned firms by combining four data sources: (1) GSA's FPDS database of Individual Contract Action Reports; (2) firms listed as veteran-owned by Dun & Bradstreet; (3) the Department of Defense's Central Contractor Registry; and (4) the Small Business Administration's ProNet small business file. Through a careful recoding procedure and analysis, Eagle Eye found the coding in the FPDS substantially understated the number of veteran-owned businesses and the level of procurement actually going to veteran-owned businesses.

Ordering Information

The full text of this report and summaries of other studies performed under contract to the U.S. Small Business Administration's Office of Advocacy are available at www.sba.gov/advo/research. Copies are also available from:

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