

The Impact of 8(a) Small Business Graduation

David J. Berteau
President and CEO
Professional Services Council

Research Background and Question

- US Government policy promotes small business growth through a variety of mechanisms, including contracts.
- The Small Business Administration's 8(a) Business Development Program provides business assistance to qualifying firms through government contract set-asides over a 9-year period (4 years in development and 5 years in transition).
- Upon graduation from 8(a) eligibility, firms seeking government contracts must participate in full and open competition in the government contracting market.
- This study seeks to determine **what happens to firms after they are no longer eligible to receive 8(a) set asides.**

Research Methodology

- Using SBA Dynamic Small Business Search (DSBS), identified DUNS numbers of all “Previously 8(a) Certified” firms
- Input DSBS-generated list of DUNS numbers into private FPDS database to identify all prime contract obligations since FY08
- Filtered results to include only firms with 8(a) exit dates in 2009 and 2010
- Validated private database using spot check of available USASpending.gov data
- Examined 10 years (FY08-FY17) of prime contract obligations for graduated firms (represented by DUNS numbers) continuing to receive obligations
- Used FY17 as end point to determine which firms remain, where they’re getting money, and other characteristics of their interactions with the federal market

Counting DUNS Numbers in the Federal Market

- **2009 Graduates**

- In 2009, **418** unique DUNS numbers had positive contract obligation balances.
- By 2017, that number dropped to **138**, representing a **67% decrease**.
- In 2017, **14** DUNS numbers received obligations from 8(a) set asides.

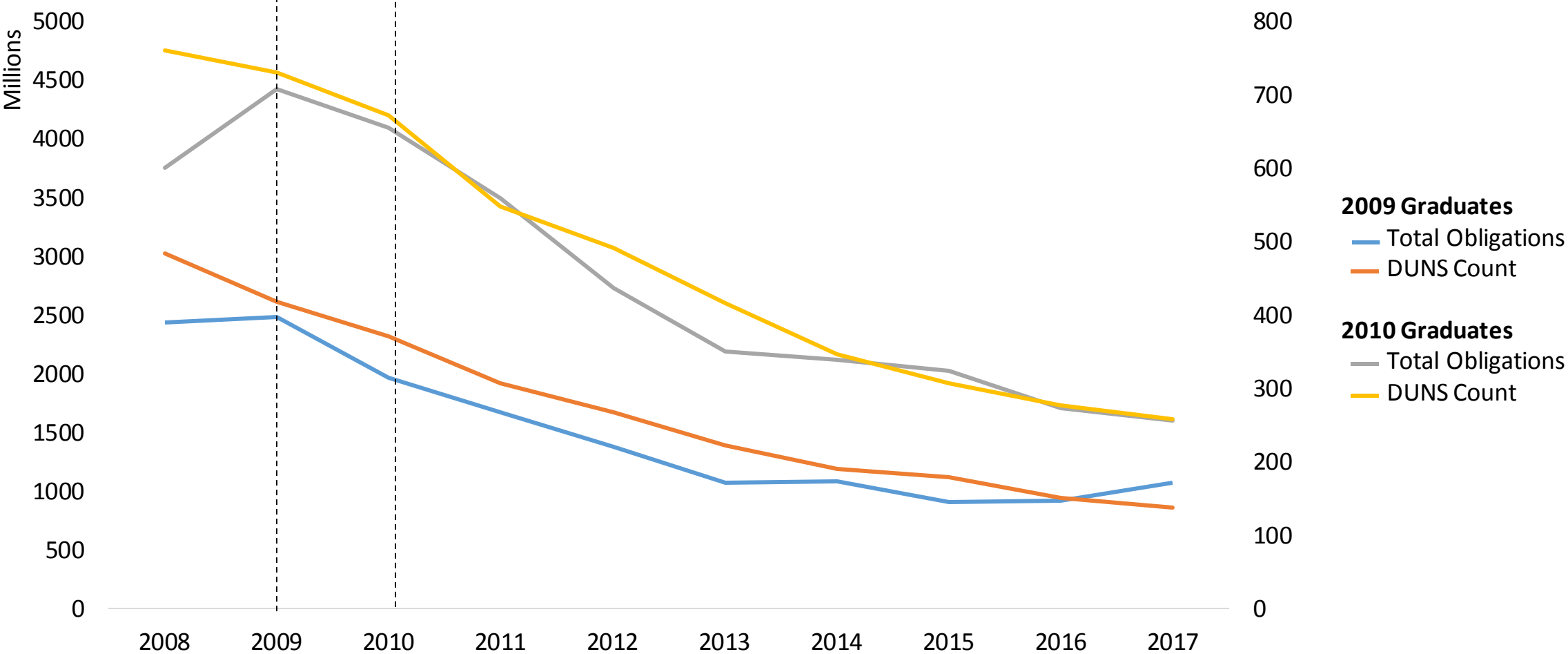
- **2010 Graduates**

- In 2010, **673** unique DUNS numbers had positive contract obligation balances.
- By 2017, that number dropped to **259**, representing a **61% decrease**.
- In FY17, **37** DUNS numbers received obligations from 8(a) set asides.

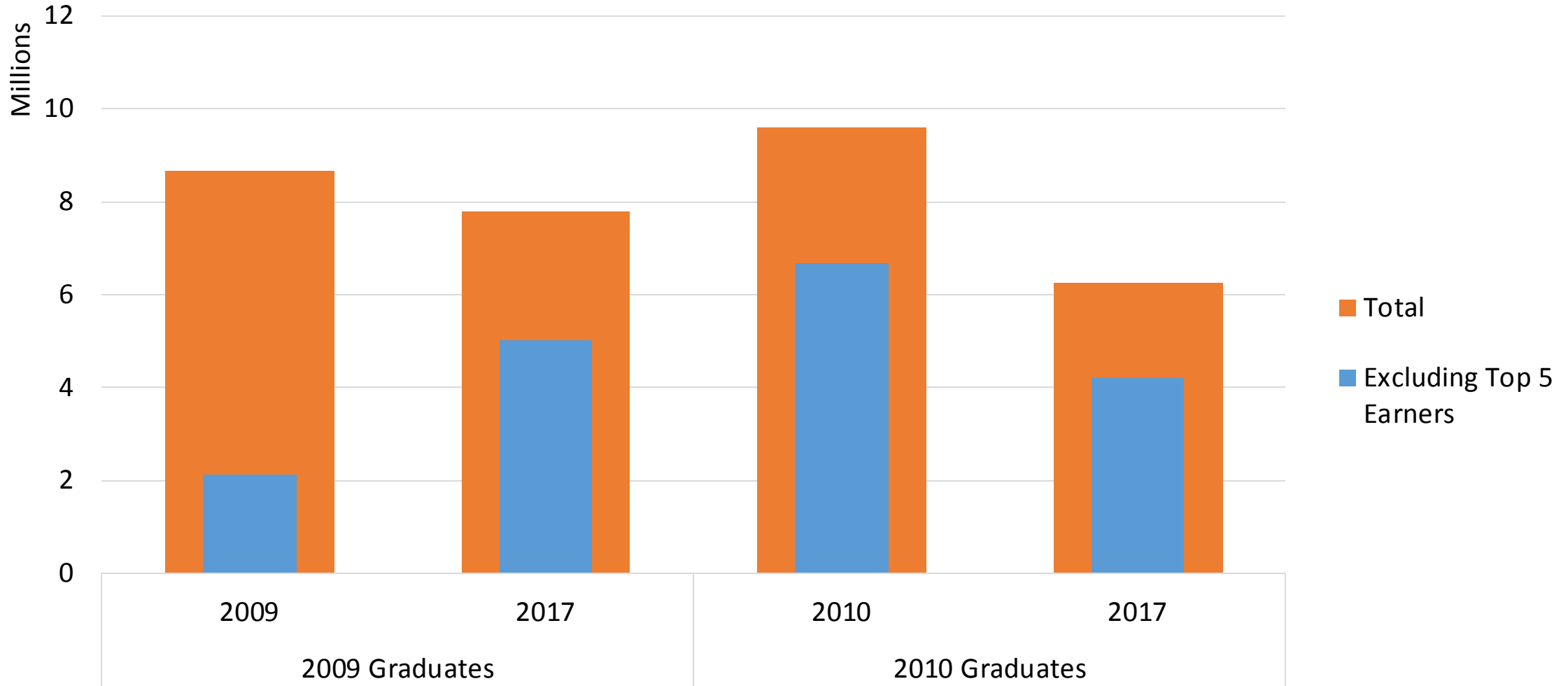
- **Limitations**

- FPDS data make it difficult to count individual firms, as many firms have more than one DUNS number and several different name spellings and formats.
- A count of unique DUNS numbers **is not** equivalent to a count of unique vendors. It does, however, provide some directional information about the market.

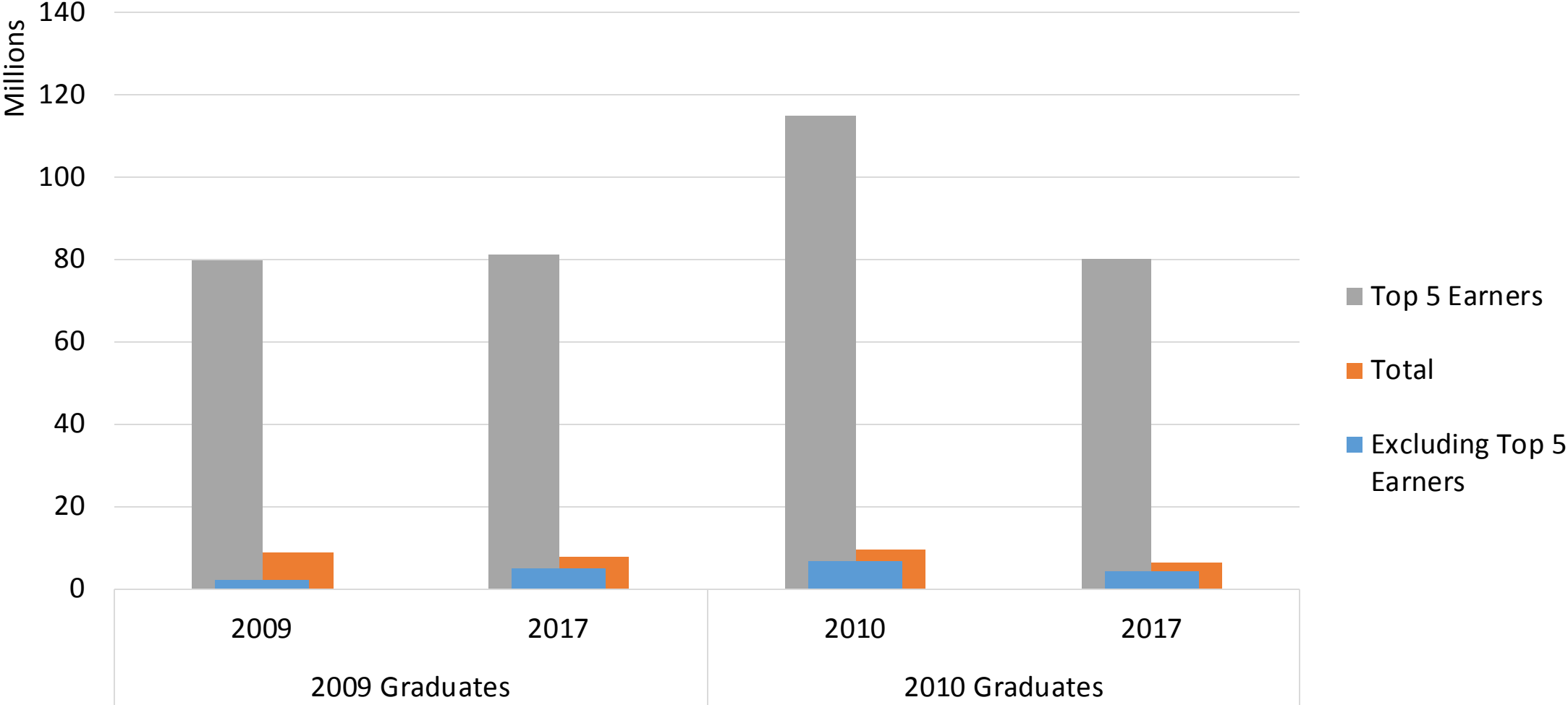
Comparison of Total Obligations and Unique DUNS Counts



Average Total Obligations per DUNS Number

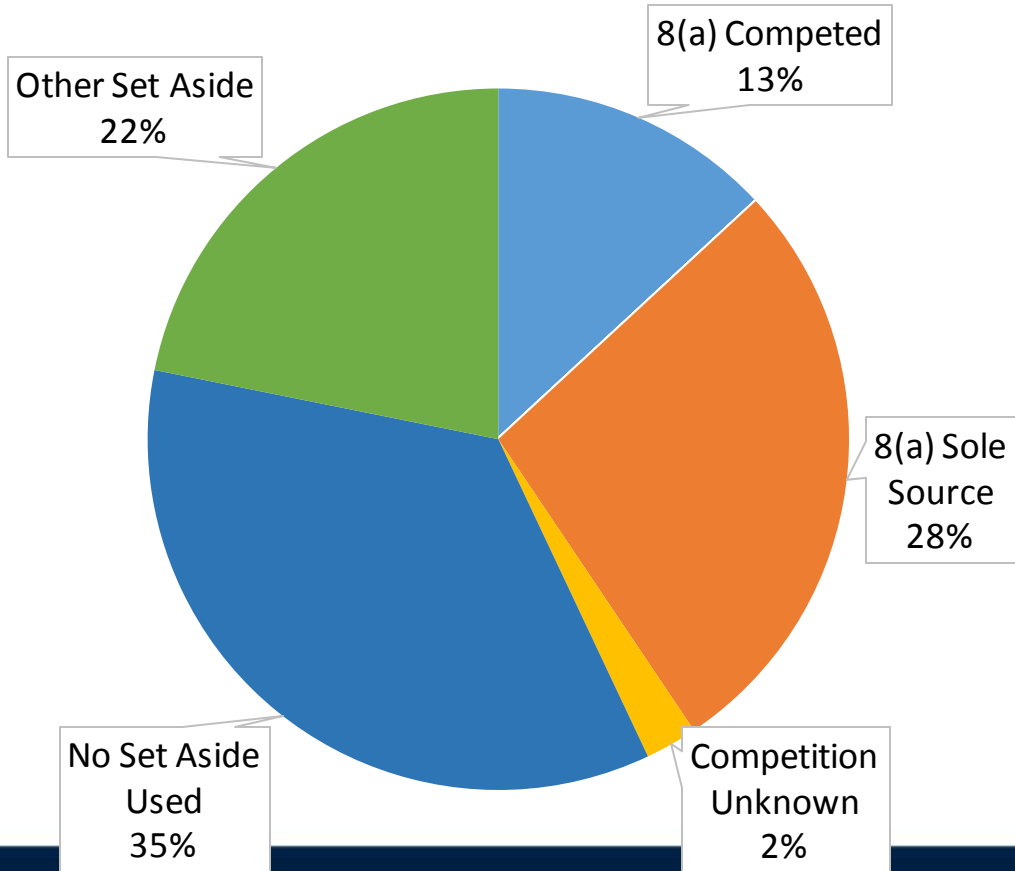


Average Total Obligations per DUNS Number: Top 5 Earners

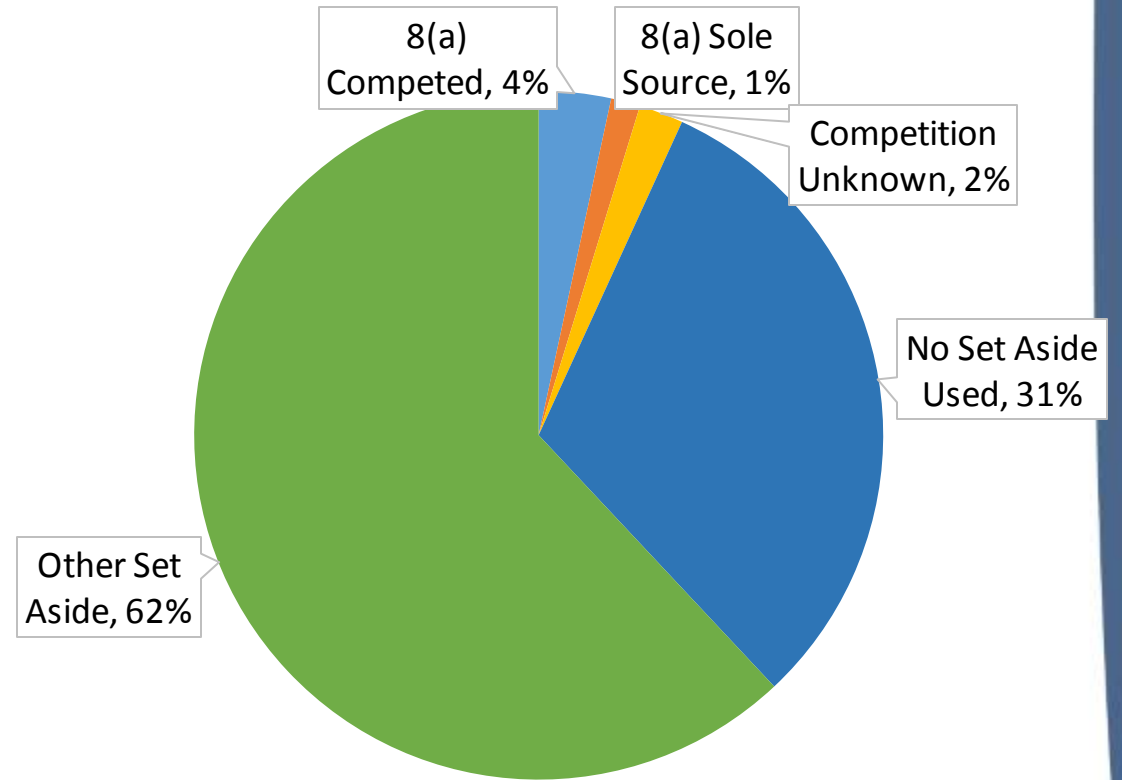


Obligations by Set Aside Type: Surviving 2009 Graduates

Fiscal Year 2009
Total: \$1.19 billion

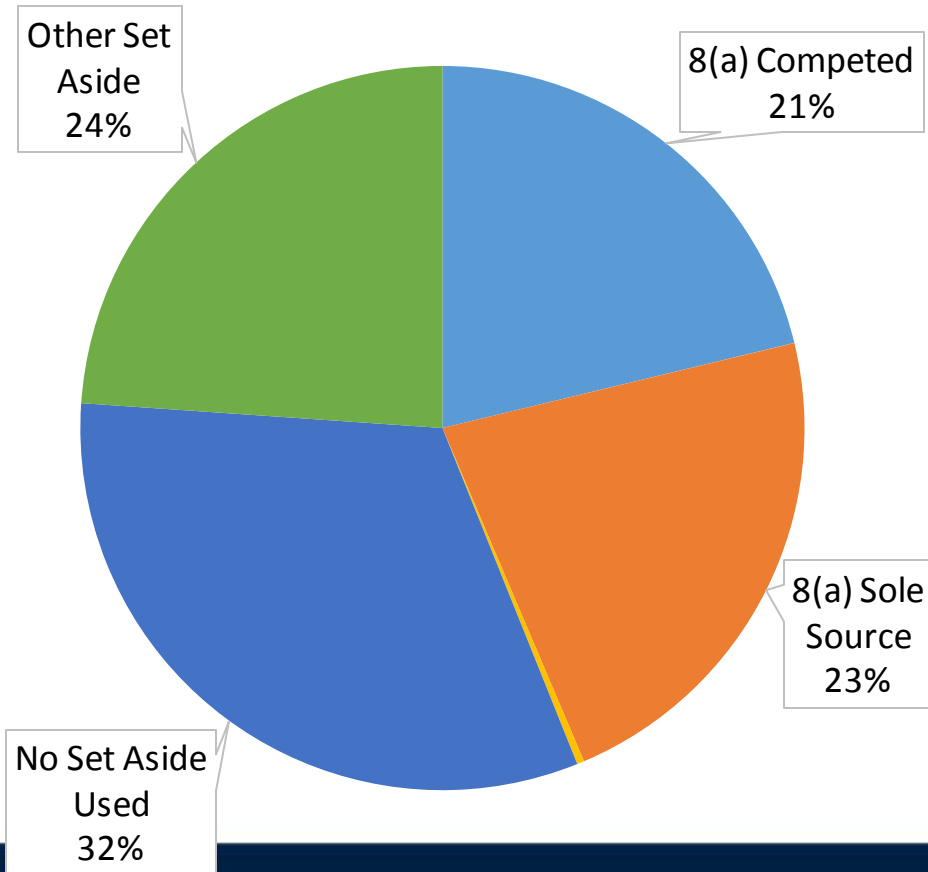


Fiscal Year 2017
Total: \$1.07 billion

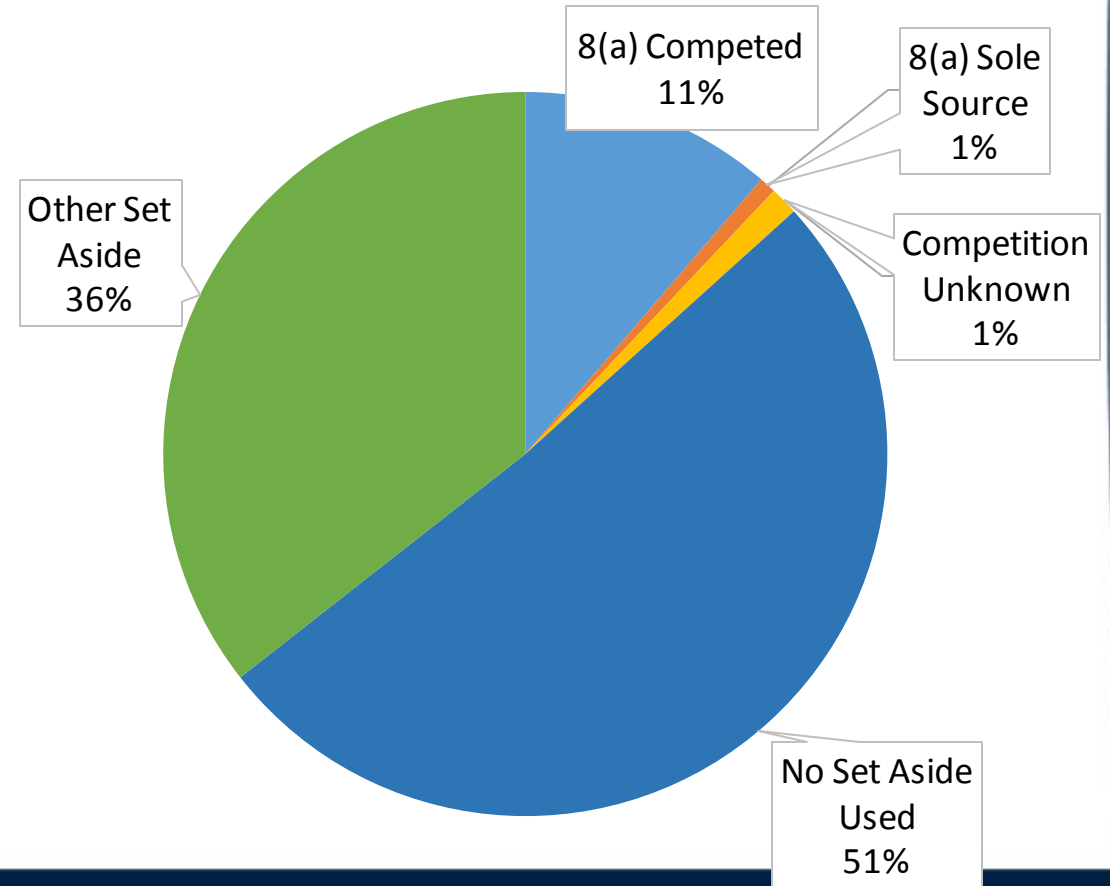


Obligations by Set Aside Type: Surviving 2010 Graduates

Fiscal Year 2010
Total: \$2.48 billion



Fiscal Year 2017
Total: \$1.6 billion

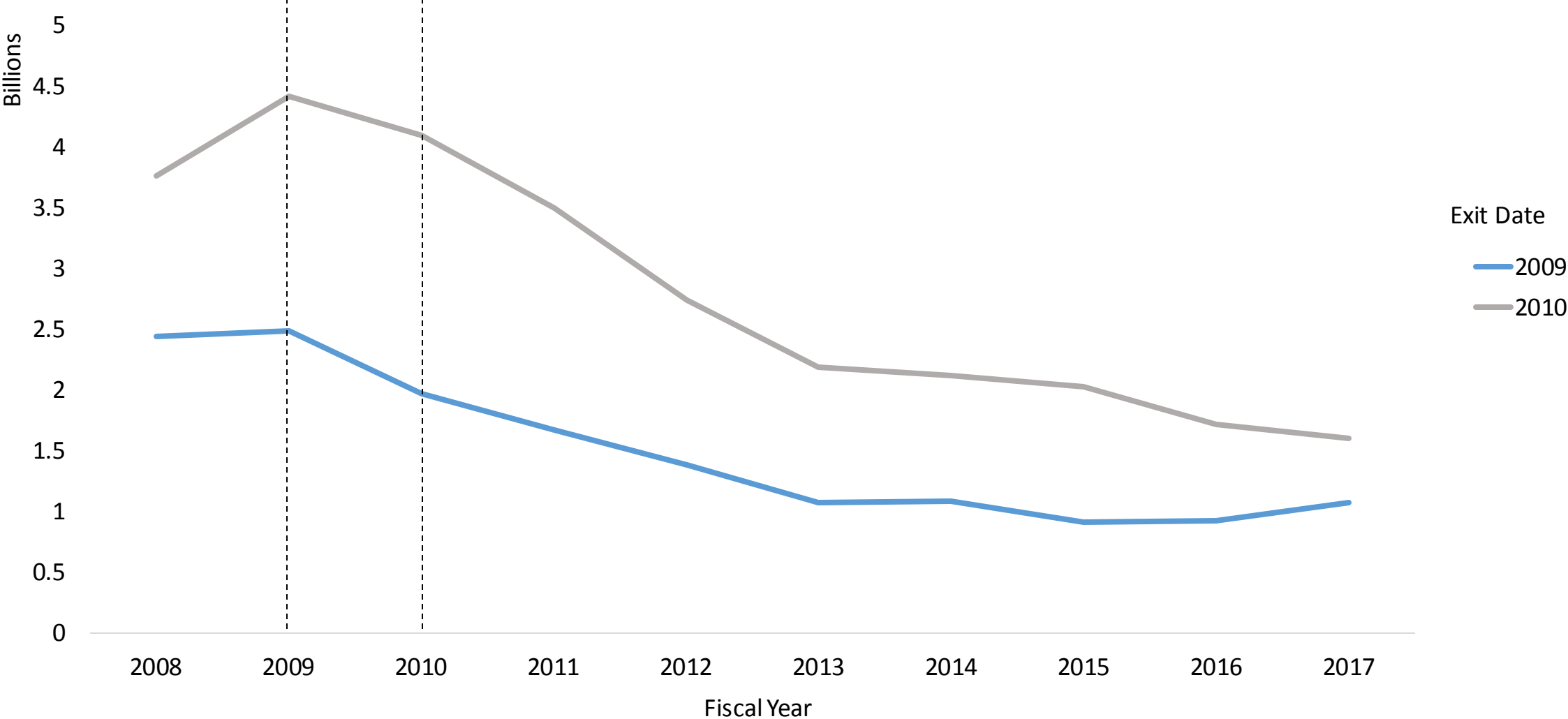


Conclusions

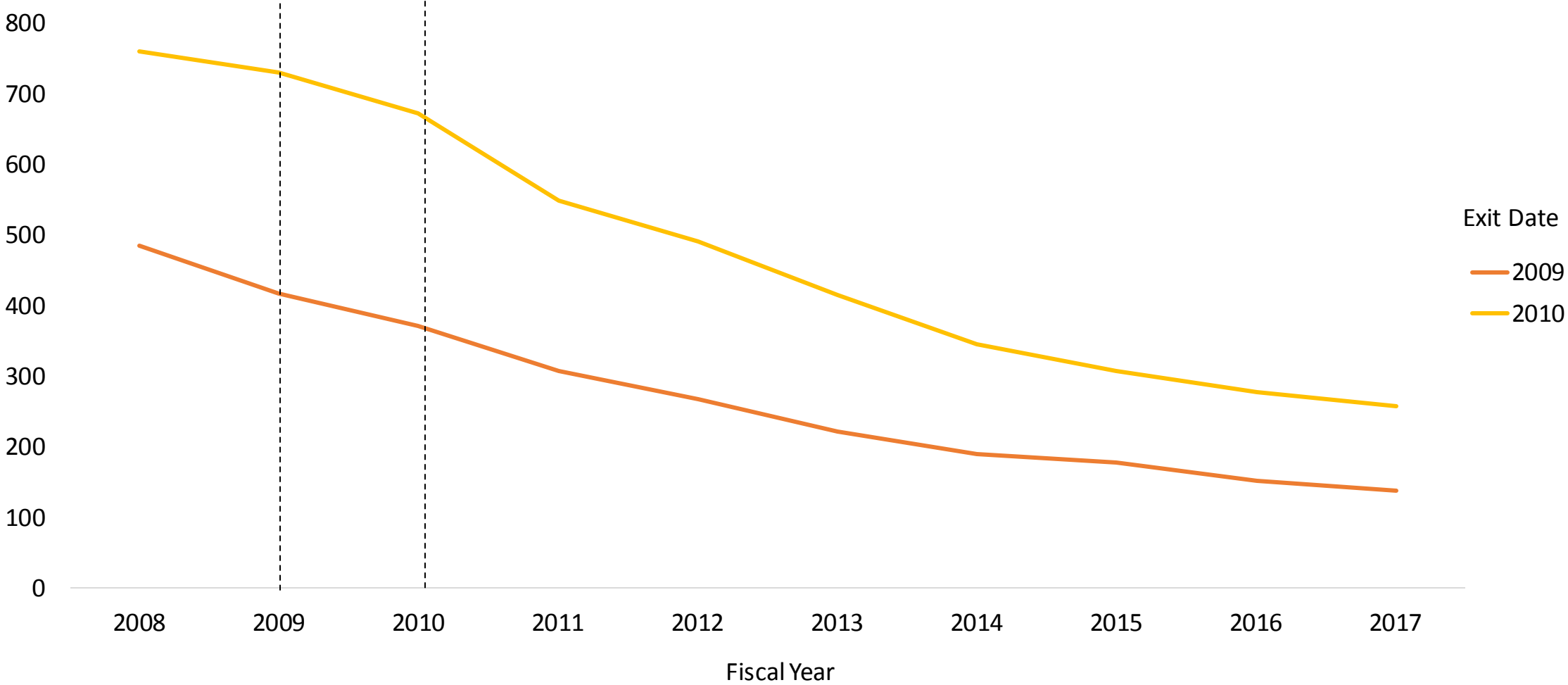
- Eight years after 8(a) graduation, there was a **60 percent** decline in the number of unique DUNS numbers receiving prime contract obligations.
- There was a decline in total prime obligations, but the decline did not occur uniformly across all agencies.
- Small businesses in the 8(a) program appear to perform about the same as all small businesses nationwide. The 8(a) program does not appear to foster and support small business growth.

Backup

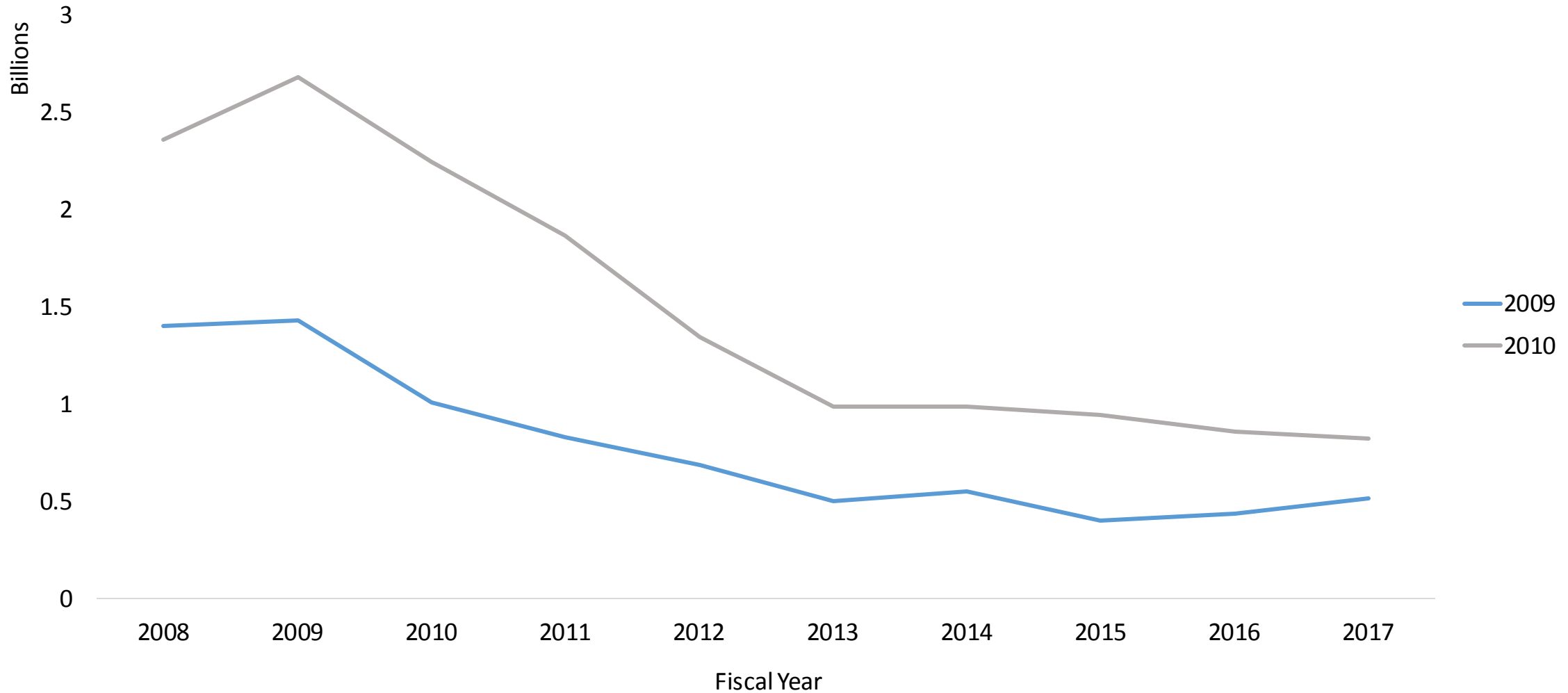
Total Contract Obligations Before and After 8(a) Graduation



Count of Unique DUNS Numbers Before and After 8(a) Graduation



Total Prime Contract Obligations: Defense

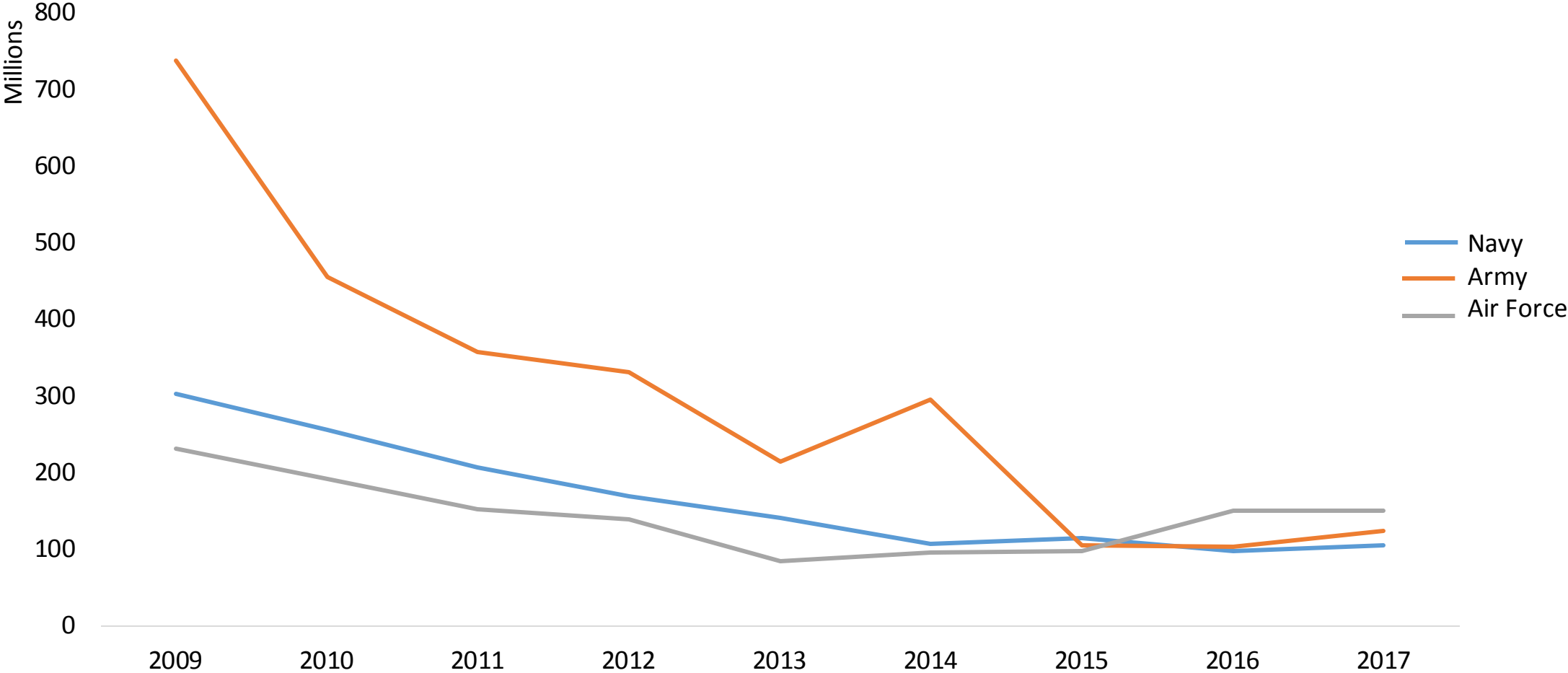


Total Obligations: Department of Defense

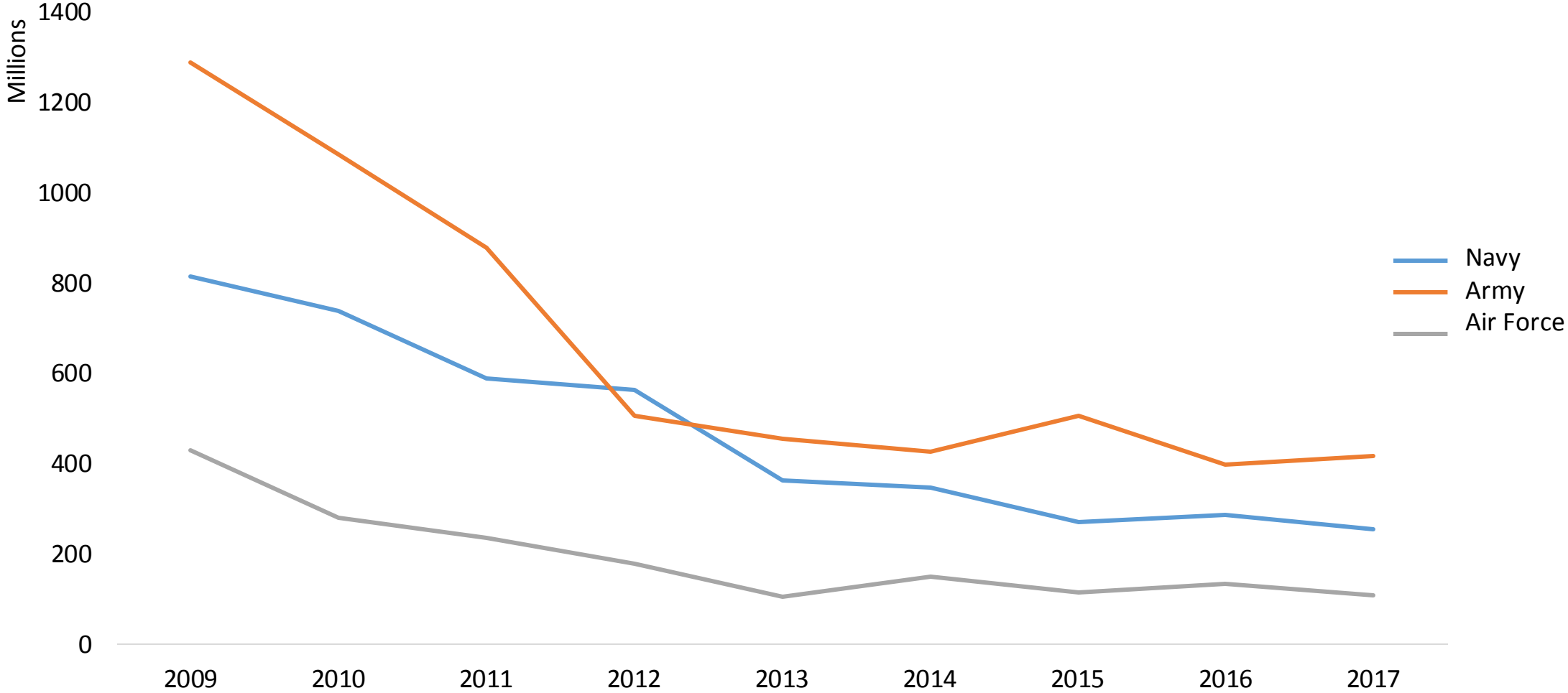
	2009	2011	2013	2015	2017
2009 Grads					
Army	737,864,519	356,425,288	214,620,537	105,488,964	122,804,981
Navy	302,180,864	205,579,187	141,215,994	113,880,067	105,556,071
Air Force	231,395,296	150,942,102	84,576,524	97,717,288	150,525,213
<i>DoD Total</i>	<i>1,433,090,507</i>	<i>831,879,516</i>	<i>505,882,192</i>	<i>401,129,564</i>	<i>516,657,411</i>
2010 Grads					
Army	1,289,416,635	878,477,779	454,728,895	505,338,917	415,838,489
Navy	815,069,314	588,838,673	362,027,167	269,982,826	255,715,927
Air Force	429,784,321	235,350,617	106,877,148	116,101,649	110,308,171
<i>DoD Total</i>	<i>2,680,988,601</i>	<i>1,868,888,722</i>	<i>990,488,557</i>	<i>946,492,795</i>	<i>822,010,449</i>

Note: Obligation amounts identified by “contracting agency”

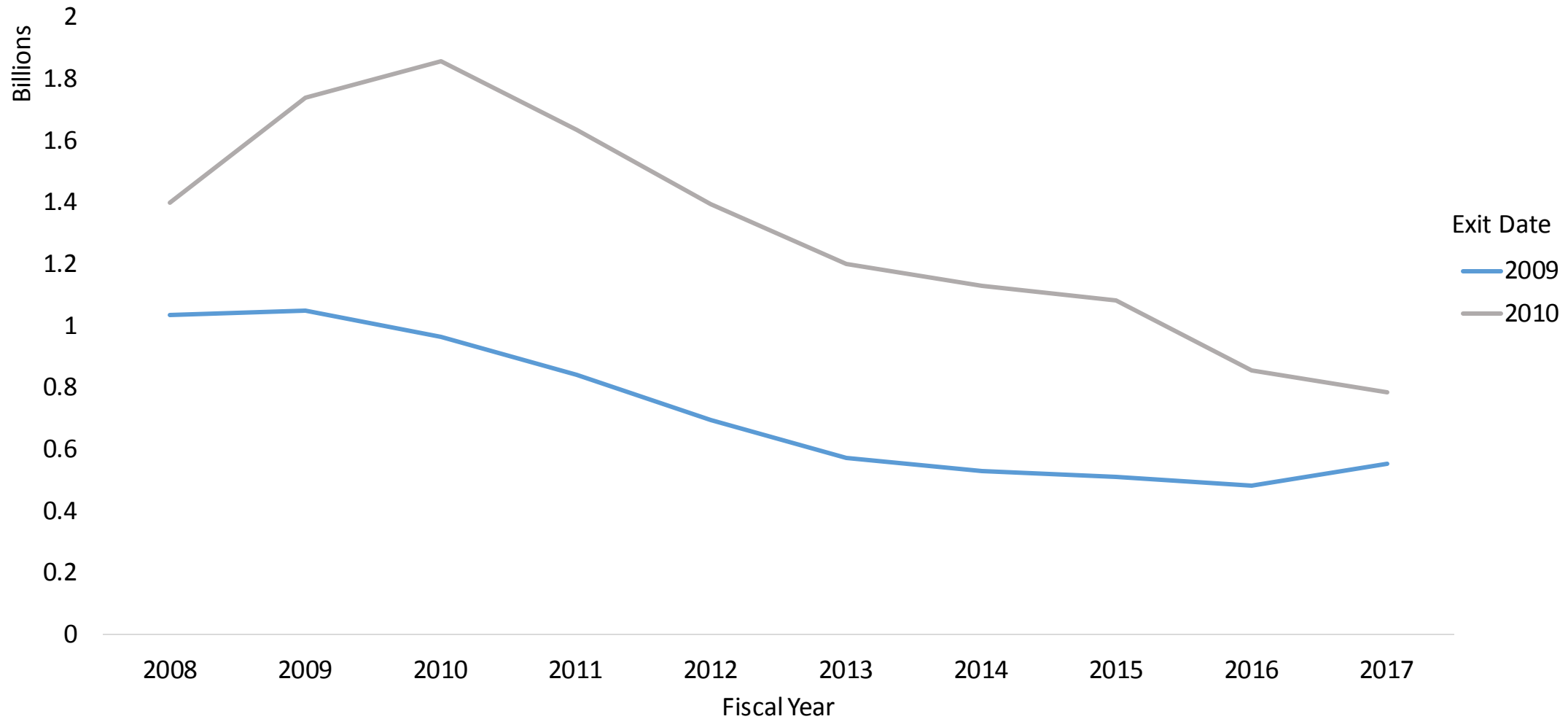
Total Obligations by Military Department: 2009 Graduates



Total Obligations by Military Department: 2010 Graduates



Total Prime Contract Obligations: Nondefense



Total Obligations Amongst Other Agencies

	2009	2011	2013	2015	2017
2009 Grads					
Dept. of State	26,102,914	34,629,639	18,427,001	20,085,687	3,225,553
Veterans Affairs	23,702,739	15,130,194	19,458,063	7,763,811	3,373,248
Dept. of Energy	34,166,782	15,989,055	2,538,206	1,666,730	5,638,490
Other	967,001,895	777,594,461	533,311,172	482,901,276	542,147,095
2010 Grads					
Dept. of State	78,324,034	72,138,760	79,716,915	128,726,033	76,662,238
Veterans Affairs	89,524,637	54,443,534	96,202,468	88,899,068	28,881,349
Dept. of Energy	52,605,523	35,268,168	8,173,652	19,792,959	36,706,706
Other	1,517,879,364	1,470,772,671	1,016,156,189	843,952,314	643,326,531

Obligations by Competition Type FY15-FY17

	2015	2016	2017
2009 Graduates			
No Set Aside Used	391,703,203	292,465,040	333,672,382
Set Aside	520,333,672	631,637,442	736,451,537
Set Asides as a Percent	57%	68%	69%
Total	912,036,875	924,102,482	1,070,123,919
2010 Graduates			
No Set Aside Used	955,731,768	789,874,304	821,480,873
Set Aside	1,071,798,036	924,908,892	785,708,704
Set Asides as a Percent	53%	54%	49%
Total	2,027,529,804	1,714,783,196	1,607,189,577