

Federal Small Business Contracting Goals

Updated July 26, 2023

Origins

Since 1988, the federal government has maintained annual goals for small and small “disadvantaged” business participation in federal contracting. At that time, Congress required that small businesses receive “not less than 20 percent of the total value of all prime contract awards for each fiscal year” and that small disadvantaged business (those owned and controlled by socially and economically disadvantaged individuals) receive “not less than 5 percent of the total value of all prime contract and subcontract awards for each fiscal year” (P.L. 100-656). Congress has since increased the small business contracting goal.

Current Small Business Contracting Goals

There are five government-wide statutory small business contracting goals set by Congress:

Table I. Statutory Contracting Goals

Type of Firm	Goal	Measure of Contract Awards
Small Businesses	23%	Dollar value of prime contract awards
Small Disadvantaged Businesses (criteria for social and economic disadvantage apply)	5%	Dollar value of prime and subcontract awards
Women-Owned Small Businesses	5%	Dollar value of prime and subcontract awards
Service-Disabled Veteran-Owned Small Businesses	3%	Dollar value of prime and subcontract awards
HUB (Historically Underutilized Business) Zone Small Businesses	3%	Dollar value of prime and subcontract awards

Source: 15 U.S.C. §644(g)(1)(A).

Notes: Prime contracts are made directly to a business from an agency, whereas subcontracts are made between prime contractors and businesses. Some federal prime contracts require a contractor to subcontract with small businesses to create more opportunities for those firms. While the above goals were created through legislation, executive action has altered them; In FY2023, agencies must collectively award at least 12% of contract spending to Small Disadvantaged

Congressional Research Service

<https://crsreports.congress.gov>

IN12018

Businesses, per [Office of Management and Budget Memorandum M-23-01](#), as part of an effort to increase this share of award dollars to 15% by 2025.

Agency Goal-Making

The Small Business Administration (SBA) oversees small business procurement goal-making for individual federal agencies. It consults with agencies to establish annual goals for small business participation in contracting that collectively add up to the statutory, government-wide goals, as required by [Section 15\(g\)\(2\) of the Small Business Act](#).

SBA negotiates with agencies to create small business and small disadvantaged business goals (SBA added small disadvantaged business goals to the negotiation process in FY2022, per the [Office of Management and Budget Memorandum M-22-03](#)). SBA sets agency goals for HUBZone businesses, women-owned small businesses, and service-disabled veteran-owned small businesses at the statutory level; it bases subcontracting goals on recent attainment levels.

Goal Negotiation and Guidelines

SBA's "[Goaling Guidelines](#)" describe the goal negotiation process. According to the FY2023 Guidelines, "Before the beginning of the fiscal year, SBA provides agencies with a proposed goal, and agencies respond with an acceptance of the proposed goal or a counter-proposed goal." The SBA will then "determine if these individual agency goals, in the aggregate, meet or exceed the government-wide statutory goals." If an agency and the SBA cannot agree on an agency's goals, the agency "may submit the case to the Office of Federal Procurement Policy at the Office of Management and Budget for resolution."

Aspirational Goal Attainment

Agency goal attainment is an aspirational pursuit without punitive consequences for failure to meet goals. The SBA creates annual Small Business Procurement Scorecards and the GSA produces annual reports, which can attract scrutiny of contracting practices. Any agency that does not achieve a goal must submit a "corrective action report" to the SBA, denoting the reasons it failed to achieve the goal and proposing a "corrective action plan."

Scorecards and Reports

Since 2007, the SBA has issued a [Procurement Scorecard](#) for the [24 CFO Act agencies](#) every fiscal year. The SBA gives agencies small business contracting credit in every category applicable to a contract recipient. For example, a contract with a small business that is women-owned and service-disabled veteran-owned would count towards an agency's small business goal, women-owned small business goal, and service-disabled veteran-owned small business goal. The SBA also "double-counts" certain prime contracts awarded in disaster areas ([15 U.S.C. §644\(f\)](#)) and in Puerto Rico and other covered territories ([15 U.S.C. §644\(x\)\(1\)](#)). Section 318 of P.L. 113-76 requires the SBA to also count Department of Energy first-tier subcontract awards towards small business goals.

In the [FY2022 Procurement Scorecard](#), the SBA gave the federal government the grade of "A." The grades on [agency scorecards](#) were also "A's," except for the Departments of Defense, Health and Human Services, Treasury, and Veterans Affairs.

In addition to the SBA's Procurement Scorecards, GSA's annual Goaling Reports, available through the SAM.gov [data bank](#), monitor goal achievement. The [Small Business Act](#) also requires GSA to provide a

[report on all prime contract procurements](#) made each fiscal year. The report must be provided to the President and Congress and made available on a public website. Per [Section 15\(h\)\(3\)\(A\)\(ii\) of the act](#), it must include “all procurements made for the period covered by the report and may not exclude any contract awarded.”

FY2022 Goal Attainment

According to the SBA, the federal government reached or exceeded three of five prime contracting goals in FY2022.

Table 2. FY2022 Contract Awards

Type of Firm	Goal	SBA Scorecard Percentage Dollars Awarded
Small Businesses	23%	26.50%
Small Disadvantaged Businesses (criteria for social and economic disadvantage apply)	11% ^a	11.38%
Women-Owned Small Businesses	5%	4.57%
Service-Disabled Veteran-Owned Small Businesses	3%	4.57%
HUB (Historically Underutilized Business) Zone Small Businesses	3%	2.65%

Source: SBA, Government Wide FY2022 Small Business Procurement Scorecard.

Notes: SBA excludes certain contracts when procurement data is unavailable or because the work cannot realistically be performed by small businesses. According to the SBA's Goaling Guidelines, most excluded contracts are acquisitions on behalf of foreign governments, awarded to mandatory and directed sources, or funded with non-appropriated, agency-generated funds. Purchases valued at less than \$10,000 are also excluded because they are not tracked in the Federal Procurement Data System. The value of contracts with these exclusions is referred to as the “small business eligible” value.

In FY2022, agencies were required to collectively award at least 11% of contract spending to Small Disadvantaged Businesses, per the [Office of Management and Budget Memorandum M-22-03](#).

Author Information

R. Corinne Blackford
Analyst in Small Business and Economic Development
Policy

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of

information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.