CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 24, 2016

S. 2138
Small Business Subcontracting Transparency Act of 2015

As reported by the Senate Committee on Small Business and Entrepreneurship on November 3, 2015

S. 2138 would authorize Small Business Administration (SBA) employees that review federal contracts to delay the acceptance of a subcontracting plan for up to 30 days if the plan fails to maximize the participation of small businesses. The bill also would require the SBA to issue regulations that provide guidance on how to comply with the requirement to maximize small business participation. CBO estimates that implementing S. 2138 would cost the SBA and other federal agencies $11 million over the 2017-2021 period. Such spending would be subject to the availability of appropriated funds.

Based on an analysis of information from the SBA about the current review process for subcontracting plans, CBO estimates that implementing S. 2138 would require up to 18 additional SBA employees to undertake additional reviews of subcontracting plans from other federal agencies. After federal agencies have worked with the new review process for a few years, CBO expects the cost of implementing those reviews would decline significantly as agencies better accommodate small businesses into their subcontracting plans. CBO estimates that the additional work would cost $5 million over the 2017-2021 period.

Implementing S. 2138 would require federal agencies to address weaknesses in subcontracting plans that could be subject to the proposed delays. On the basis of information from the SBA and the General Services Administration (GSA), CBO estimates that it would cost each of the 26 major federal agencies about $100,000 a year or a total of about $6 million over the 2017-2021 period to conduct more detailed reviews of subcontracting plans. CBO estimates that this spending would occur mainly in the first two years because the majority of delays and reviews would probably occur as contracting officers adapt to the new SBA standards.

Enacting S. 2138 may change the behavior of contracting officers by encouraging them to select subcontracting plans they believe would be less likely to be subject to a delay imposed by the SBA. Those plans might have a higher or lower cost to the federal government than the plans they otherwise would select under current law. In 2015, the federal government spent $440 billion on contract awards. The costs or savings of selecting different contracts as a result of implementing S. 2138 could be substantial; however, CBO has no basis for estimating any such effects.

Because the new subcontracting rules would affect agencies whose spending does not depend on annual appropriations, enacting S. 2138 would affect direct spending; therefore, pay-as-you-go procedures apply. Because most of those agencies can adjust the amounts they collect as operating costs change, CBO estimates that the net effect of any such spending by those agencies would be negligible. Enacting S. 2138 would not affect revenues.

CBO estimates that enacting S. 2138 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2026.

S. 2138 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of state, local, or tribal governments.

The CBO staff contact for this estimate is Stephen Rabent. The estimate was approved by H. Samuel Papenfuss, Deputy Assistant Director for Budget Analysis.