

GAO Highlights

Highlights of [GAO-19-523](#), a report to the Committee on Small Business, House of Representatives

Why GAO Did This Study

Small businesses that receive federal contracts set aside for them may outgrow the size standards the Small Business Administration (SBA) uses to define small businesses. (Size standards vary by industry and generally are based on employees or revenue.) Questions have been raised about the extent to which mid-sized businesses can compete with large businesses for federal contracts.

GAO was asked to provide information on federal contracting opportunities for mid-sized businesses. This report analyzes, among other objectives, (1) the extent to which small businesses grew to mid-sized and continued to receive federal contracts and (2) options for increasing contracting opportunities for mid-sized businesses.

GAO analyzed federal contracting data for fiscal years 2008–2017 (most recent and complete). In the absence of legal definitions of “mid-sized” and “large,” GAO multiplied relevant size standards for small businesses to arrive at parameters for mid-sized and large businesses for its analysis. GAO reviewed literature to identify options for increasing contracting opportunities and interviewed SBA officials and a nongeneralizable selection of 11 stakeholders—trade association representatives, researchers, and small business directors at three agencies with large obligations for small business contracts in fiscal year 2017—to obtain views on the options. SBA provided comments, which we addressed as appropriate.

View [GAO-19-523](#). For more information, contact William B. Shear at (202) 512-8678 or shearw@gao.gov.

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FEDERAL CONTRACTING

Awards to Mid-Sized Businesses and Options for Increasing Their Opportunities

What GAO Found

From fiscal year 2008 through 2017, very few small businesses that were awarded limited competition (set-aside) contracts grew to be mid-sized and continued to receive contracts. (GAO defined mid-sized businesses as having revenue or employees up to five times above the small business size standard.)

- Of the 5,339 small businesses awarded set-aside contracts in fiscal year 2008 and awarded any sort of federal contract (including set-aside or competed) in 2013, 104 became mid-sized by fiscal year 2013.
- Of those 104 businesses, 23 remained mid-sized through 2017 and won 75 contracts. Another three businesses became large and won six contracts.

Extent to Which 104 Businesses Awarded Set-Aside Contracts in Fiscal Year (FY) 2008 and That Grew to Mid-Sized by FY2013 Received Contracts in FY2014–2017, by Size

Business size in FY2014–2017	Number of businesses	Number of contracts (FY2014–2017)
Small	17	51
Mid-sized	23	75
Large	3	6
Size varied		
Mid-sized/large	5	34
Small/large	1	4
Small/mid-sized	28	204
Small/mid-sized/large	3	64
Did not receive any contracts	24	0
Total	104	438

Source: GAO analysis of Federal Procurement Data System-Next Generation data. | GAO-19-523

Note: Size can vary because businesses can be awarded contracts in different industries and be considered small in one industry but not in another.

Options for increasing federal contracting opportunities for mid-sized businesses that GAO identified in its review include establishing a separate set-aside category, changing consideration of past contracting performance, and modifying size standards. Stakeholders told GAO some options would help mid-sized businesses more than others.

- While a set-aside category for mid-sized businesses would increase opportunities for mid-sized businesses, stakeholders generally believed it could decrease opportunities for small businesses and increase agency burden (time and costs to implement the set-aside).
- Requiring agencies to consider businesses’ past performance as subcontractors or as part of a team would help both mid-sized and growing small businesses by making them more competitive for contracts.
- Stakeholders said raising size standards based on revenue would allow a limited number of mid-sized businesses to be eligible for set-asides again, but not help the vast majority of mid-sized businesses.