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Review of SBA's 8(a) Procurement Program

Statement of
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Before the
Committee on Small Business
United States Senate

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Mr. Chairman and Members of the Committee:

We appreciate the opportunity to assist your Committee in considering some of the important issues surrounding the Small Business Administration's (SBA) 8(a) program. As you know, we are currently conducting a review of this program at the request of Chairman Jack Brooks, House Committee on Government Operations. My remarks today represent preliminary observations on the results of our review and their relevancy with respect to your current bill, S. 1993. The bill discourages the overdependence of program participants on 8(a) contracts by requiring a business mix that reflects increasing percentages of non-8(a) contracts as a firm approaches graduation and by fostering competition among program participants for the award of 8(a) contracts over a given threshold.

The objectives of our study are to evaluate three aspects of the 8(a) program:[1]

- -- contractor performance on 8(a) contracts,
- -- administration and management of the program by SBA, and
- -- the impact of the program on non-8(a) small businesses.

My remarks today focus primarily on the first two of these objectives.

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[1]To accomplish these objectives, we have (1) conducted a detailed review of business development and contract files on 142 8(a) firms at 6 of the larger SBA district offices in 3 SBA regions; (2) interviewed SBA district, regional, and headquarters officials; (3) interviewed procurement policy officials at selected Department of Defense and civil agencies and officials representing selected private interest groups; and (4) sent a mail survey to government contracting officers nationwide that were administering over 800 active and closed 8(a) contracts.

In general, our work supports the intent of S. 1993, particularly the changes encouraging and assisting 8(a) firms to develop their businesses as they progress through the program. The current review is our first comprehensive look at the 8(a) program since our April 8, 1981, report entitled The SBA 8(a) Procurement Program: A Promise Unfulfilled (CED-81-55). In that report, we stated that the program had done "too much" for "too few" for "too long" and that only a few companies had graduated from the program as self-sufficient businesses. The program has not really changed except that many of the older firms have graduated--reached the end of their fixed program participation term. (Exhibit A)

A large percentage of the 8(a) contract dollars continues to go to a small number of firms and the program still is not doing a good job in developing self-sufficient businesses--firms that do not depend on 8(a) sales for a large part of their business. In my testimony today, I will present a statistical overview of the program, highlight some of the management weaknesses we observed, and comment on areas of our work that are related to S. 1993. (I should point out that we used SBA's financial information system for the statistical overview, although that data, while the best available, were not totally accurate.)

OVERVIEW OF PROGRAM

Our study revealed that less than 2 percent of the federal government's procurement dollars were awarded to 8(a) firms. The 8(a) procurement program is available only to companies whose owners have been certified by SBA as socially and economically disadvantaged and eligible to receive federal contracts without competition. SBA contracts for the work with the federal agencies and then "subcontracts" with the 8(a) firms to fulfill the contract. Much of the time, the firms have already been selected by the federal agency, and SBA only fulfills the role of awarding the contract to the 8(a) firm. According to information published by the Federal Procurement Data Center, the federal government procured about 1.8 percent of its goods and services through the 8(a) program--$3.1 billion of $178.5 billion--in fiscal year 1987. (Exhibit B)

Profile of 8(a) firms

In addition to determining the procurement dollars that went to 8(a) firms, we also developed a statistical profile that looked at the firms' graduation rates, minority mix, business categories, and location. SBA data show that since inception of the program in 1968 through fiscal year 1987, 1,287 firms have graduated from the program. Of these, 976, or about 76 percent, graduated during the last 3 fiscal years. This is a result of P.L. 96-481, enacted October 2, 1980, which requires SBA to establish a graduation date for each firm. Also, SBA's data reveal that, as of September 30, 1987, 72 percent of the 2,938 active firms have been in the program 5 years or less.

As for the minority mix of program participants, we found that the number of firms in each minority category have increased over the period from 1982 to 1987. However, the mix within active participants has changed. The most noticeable changes are an 11-percent decrease in Black participation and an increase in all other minority groups, particularly for Asians--for which there has been approximately a 6-percent increase. (Exhibit C)

Similar to the minority mix change, the business classification of firms in the 8(a) program has also seen a increase in the number of firms in each classification except for nonprofessional services. The most noticeable changes from 1982 to 1987 are an 8-percent increase in professional service firms and about a 7-percent decrease in nonprofessional service firms. (Exhibit D)

Geographically, the 2,938 active 8(a) firms as of September 30, 1987, were dispersed throughout all 10 SBA regional offices--ranging from a low of 108 firms in the Boston region to a high of 681 firms in the Philadelphia region. The greatest concentration of firms was in the Washington, D.C., San Francisco, and Los Angeles metropolitan areas which combined had about 22 percent of the active firms and about 29 percent of the 8(a) contract dollars. (Exhibit F)

Performance of 8(a) firms

We also wanted to determine how well 8(a) firms performed. To do this, we conducted a mail survey of federal contracting officers responsible for 8(a) contracts.[2] On the basis of 78 percent of the contracts in our sample, I can report that, in general, most 8(a) firms performed satisfactorily. Contracting officers reported that all or most of the delivery dates were met on over 75 percent of the contracts and that for around 90 percent of the contracts the products or services delivered met or exceeded quality specifications. Our study also looked at the performance of 8(a) firms in comparison with the performance of non-8(a) firms. For about half of the contracts, the contracting officers reported that they were also responsible for non-8(a) contracts in the same or similar industries. The contracting officers reported that the 8(a) firms' performance in meeting delivery dates for about 75 percent of the contracts was equal to or better than non-8(a) firms. For about 85 percent of the contracts, the 8(a) firms performed the same or better than the non-8(a) firms in the quality of goods or services they delivered. Finally, in comparing 8(a) and non-8(a) contracts, the contracting officers rated 36 percent

[2]Our surveys focused on both active and closed contracts. We sent out a total of 845 questionnaires and received responses for about 85 percent of the contracts.

of the 8(a) contracts to be more costly to the government, whereas they rated 9 percent of non-8(a) contracts to be more costly.

Respondents were also asked about the amount of performance-monitoring required by their agencies for 8(a) firms compared with non-8(a) firms over the last 2 years. Responses on nearly half of the questionnaires indicated that 8(a) firms required somewhat more or much more monitoring, about 40 percent indicated that 8(a) firms required about the same monitoring, and less than 5 percent indicated that 8(a) firms required somewhat or much less monitoring.

FEW FIRMS STILL DO MOST OF 8(a) DOLLAR VOLUME

I would like to turn now to the issue of how much the program does for the participating firms. In our 1981 report, we reported that 50 firms had received about 31 percent of the total value of the 8(a) contracts awarded. In fiscal year 1987, the top 50 firms received about 35 percent of the 8(a) dollar volume of business. (Exhibit H) In contrast, 1,225 active firms did not do any 8(a) business in fiscal year 1987 and another 555 firms did $100,000 or less of 8(a) business.

8(a) FIRMS STILL NOT BEING DEVELOPED INTO SELF-SUFFICIENT BUSINESSES

We found a similar lack of progress in the program's effectiveness in assisting firms in becoming self-sufficient businesses. We concluded in our 1981 report, and it appears that we can report today, that the program is not doing a very good job in developing self-sufficient businesses. Our reason for saying this is based on (1) the results of this Committee's 1987 survey of 8(a) graduates and (2) the analyses of our sample firms. Sales information in SBA's files was available for 35 firms that had been in the program for 7 years or more to show their dependency on the 8(a) program. Although most of these firms either have graduated or will graduate from the program before the end of fiscal year 1988, many have not developed their non-8(a) business. In contrast to the 75/25 non-8(a)/8(a) mix, proposed in S. 1993 for firms that have been in the program for 7 years, the 8(a) sales for 11 firms represented 90 percent or more of the total sales after 7 or more years in the program. The 8(a) sales for an additional 16 firms ranged between 38 percent and 87 percent of total sales. Only 8 of the 35 firms met or exceeded the bill's non-8(a)/8(a) mix of 75/25. As a group, however, these firms tended to be small when compared with the firms that were more dependent on 8(a) sales--sales of the 8 firms averaged $2.0 million and ranged between $107,000 and $13.1 million and sales of the other 27 firms averaged $9.6 million and ranged between $23,000 to $52.1 million. (Exhibit I)

Included in our sample were 10 of the 50 firms that had received the most 8(a) business in fiscal year 1987 and for which we had a 5-year history of 8(a) and non-8(a) sales information. In analyzing the sales growth of these firms, we found that their average total sales increased from $3.8 million to $20.8 million during the 5-year period. Over 75 percent of that growth, however, came through 8(a) sales. Collectively, the 10 firms' dependency on 8(a) sales decreased from an average of 82.6 percent to 81.3 percent during the 5-year period. Further, individually six firms were more 8(a) dependent in their last year, while only four were less dependent. (Exhibit J)

The following examples show how two of the firms developed. The sales of one firm that had been in the program for about 9 years increased from $5.1 million in fiscal year 1983 to $52.1 million in fiscal year 1987. During the same period, the firm's 8(a) sales increased from about $4.8 million to $50.8 million; as of April 30, 1987, the 8(a) sales represented about 98 percent of the firm's total sales. This firm is scheduled to graduate from the program in April 1988. The sales of another firm that had also been in the program about 9 years increased from $13.4 million in fiscal year 1983 to $47.3 million in fiscal year 1987. This firm's non-8(a) sales increased $19.1 million and 8(a) sales increased $14.8 million. In 1987 the firm's 8(a) sales were 53.8 percent of total sales. This firm is also scheduled to graduate in April 1988.

Mix of 8(a) awards

S. 1993 addresses a mix of 8(a) and non-8(a) patterns based on years of participation in the program and provides for competing 8(a) business to (1) guard against political influence, favoritism, and outright fraud that has haunted the program through award of larger 8(a) contracts and (2) encourage business development. Competition would be basically required on all awards over $2 million. SBA data indicate that the $2.0 million threshold requirement could significantly contribute to achieving the first objective but would have little impact on the second. Our analysis of 8(a) contracts[3] awarded in fiscal years 1985 through 1987 showed that while between 49 and 60 percent of the 8(a) contract dollars were involved in contracts over the $2.0 million threshold, only about 6 percent of the number of contracts awarded in 1985 and 1986 and less than 5 percent in 1987 exceeded the threshold.

If the threshold were to be set at $1.0 million, the data show that between 9 and 12 percent of the contracts during fiscal years 1985 through 1987 would have been awarded competitively, thereby giving 8(a) firms more opportunity to compete. (See exhibit K for the number, value, and percent of awards made for the last 3 fiscal years at four different threshold levels--$500,000, $1.0 million, $2.0 million, and $5.0 million.)

[3]For the analysis, we used the basic contract award amount and assumed that later modifications could have been estimated at time of original award.

SBA'S MANAGEMENT

Our study also considered SBA's management of the 8(a) program. To help foster business ownership by socially and economically disadvantaged individuals and promote the competitive viability of their firms, SBA's procedures require each 8(a) firm to prepare a business plan that includes the objectives, goals, and projections of the firm. The plan helps identify the resources a firm needs to become a self-sustaining, profit-oriented small business. In addition, SBA district or regional management are required to conduct annually a thorough review and analysis of each firm to evaluate factors such as these: (1) its progress in achieving business development objectives, (2) its ability to compete in the marketplace, (3) its current financial condition, (4) its past performance on 8(a) contracts, and (5) its potential for success. SBA's management must also make sure that the firm continues to be owned, managed, and controlled by a socially and economically disadvantaged individual or individuals. In addition, the business opportunity specialist (BOS)--the SBA person that is responsible for providing management, marketing, technical, financial, and procurement assistance to the firm--is supposed to visit each firm annually. To further assist SBA in its oversight responsibilities, 8(a) firms are required to submit quarterly and annual financial statements. Audited annual statements are required if the firm's annual gross receipts were $1.0 million or more.

File review

As mentioned earlier, we conducted a detailed file review of the 142 8(a) firms in our sample. Our work showed that for the last 5 fiscal years, the files do not contain evidence that all required annual reviews were made for 108 of the 142 firms, that all required site visits were made for 122 of the firms, and that all required financial statements were received for 57 of the firms. We also observed instances of SBA accepting financial statements prepared by the owners rather than the required audited financial statements.

SBA district and regional officials acknowledged that all required annual reviews and site visits were not being made and some financial information was missing, but commented that the program had never been staffed adequately. In this regard, we concluded in our 1981 report that SBA did not have the staff to effectively manage the program. Since then, the number of 8(a) firms per BOS has increased from 17:1 ratio to a 26:1 ratio. At the district offices we visited, the ratio of 8(a) firms to BOSs ranged from 20:1 to 38:1. While S. 1993 would set a 20:1 ratio goal, SBA's Deputy Associate Administrator for Office of Minority Small Business and Capital Ownership Development told us that SBA would like to achieve a staffing ratio of 10 to 15 firms per BOS. In addition, the National Association of Public Administration's study stated that SBA has a need for better trained staff, as well as more staff.

Economic disadvantage criteria needs clarification

Our study also looked at the issue of economic disadvantage. Public Law 95-507 limits the 8(a) program to firms owned and controlled by individuals who are both socially and economically disadvantaged. Although SBA's regulations define economically disadvantaged individuals and provide general criteria, SBA has basically considered anyone that is socially disadvantaged to be economically disadvantaged also. However, in its standard operating procedures, dated April 27, 1987, for the first time SBA set a personal net-worth threshold for determining "economically disadvantaged." These procedures state that "Generally, individuals having a net worth of less than $750,000 will be considered to be economically disadvantaged, absent a clear showing to the contrary." In commenting on H.R. 1807(a companion bill to S. 1993) SBA's Associate Deputy Administrator for Management and Administration, on September 29, 1987, stated that SBA believes that the $750,000 figure should be lowered to $250,000 to $300,000, with a provision to deal with situations where assets warrant exception. SBA has not made a decision on this matter.

Our review showed that some owners of existing firms in our sample reported personal net worth that exceeded the $750,000 threshold. None of these firms, however, was terminated. Notwithstanding this, one of the district offices we visited had recently considered two active 8(a) firms for termination because the owners were believed to be no longer economically disadvantaged. In one of the cases, the district director recommended the firm be terminated because the owner earned $357,000 in one year and concluded that the owner's stated net worth of about $475,000 was "grossly understated." The district director later changed his position and recommended continuation of this firm until the expiration of its fixed program participation term. He said that he could find no objective criteria nor precedent for determining "economic disadvantage" and believed that a finding of economic disadvantage would not withstand challenge on appeal by the 8(a) firm. The Deputy Associate Administrator for the Office of Minority Small Business and Capital Ownership Development said that no firms have been terminated because its owner was no longer economically disadvantaged since the establishment of fixed program participation terms in 1982.

Because the law requires that the program be directed to both socially and economically disadvantaged individuals, the uncertainty of what is meant by economically disadvantaged and what actions SBA should take under the circumstances needs to be clarified.

Practice of awarding contracts with options to graduating firms needs clarification

Finally, on the basis of our study, we believe that SBA's practice of awarding contracts with options needs clarification. SBA will award contracts with renewable options to an 8(a) firm up to and including its last day in the program. This practice can result in the removal of future contracts for goods or services from the 8(a) program for several years if the government chooses to exercise the contracting options, and could adversely impact the developmental needs of other firms in the program with the same or similar types of business. Of the 142 firms in our sample, 23 graduated between August 1986 and December 1987. Of these, six firms received one or more contracts during the firms' last month in the program. One nonprofessional service firm, for example, was awarded 13 contracts during its last month in the program, of which 7 were dated on the firm's last day in the program. At least 12 of the contracts included options ranging from 1 to 4 years. The other contract may have had options, but SBA could not locate the contract file. Including the value of the options, the aggregate dollar amount of the 13 contracts is at least $4.3 million, which was about equal to the value of all contracts and modifications received by the firm during the period October 1981 to August 1987.

We recognize that many of the graduating firms are highly dependent on 8(a) sales and if they were denied 8(a) business they could have a more difficult time competing outside the protection of the 8(a) program. However, if firms are encouraged to develop their non-8(a) business as they move through the program as proposed by S. 1993, then changing the policy so that contracts are awarded without options to graduating firms may not be as detrimental to their business.

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In summary, the General Accounting Office is in agreement with the changes proposed to strengthen the 8(a) program. Based on our work to date for the House Committee on Government Operations, we believe that the combined effect of the proposed legislative changes encouraging 8(a) firms to develop their non-8(a) business as they progress in the 8(a) program should result in a wider distribution of the 8(a) business among the participants and better prepare them to make the transition into the mainstream.

Mr. Chairman, this concludes my prepared statement. I will be happy to respond to any questions.

GAO REVIEWS OF SBA'S 8(a) PROGRAM SHOWS THAT PROGRAM HAS NOT CHANGED MUCH

1981	Current
About 31 percent of 8(a) business went to 50 firms	About 35 percent of 8(a) business went to 50 firms
Very few firms were graduating	Many older firms have graduated as a result of P.L. 96-481, enacted 10/2/80--72 percent of active firms have been in program 5 years or less
Did not develop self-sufficient businesses	Same

EXHIBIT B

8(a) AND OTHER MINORITY AND DISADVANTAGED PROCUREMENTS COMPARED WITH TOTAL FEDERAL PROCUREMENT,[a] 1982-1987

Fiscal year	Federal procurements	8(a) procurements Amount	8(a) procurements Percent	Total minority and disadvantaged procurements[b] Amount	Total minority and disadvantaged procurements[b] Percent
		(dollars in thousands)			
1982	$146,890,231	$1,663,087	1.13	$2,729,452	1.86
1983	152,335,866	1,760,955	1.16	3,085,967	2.03
1984	166,822,128	2,592,981	1.55	4,141,573	2.48
1985	182,603,556	2,535,270	1.39	3,718,333	2.04
1986	182,558,799	3,004,006	1.65	4,417,144	2.42
1987	178,514,854	3,115,433	1.75	4,786,978	2.68

[a]Does not include smaller contract actions, which beginning in 1986 was $25,000 or less for all agencies.

[b]Includes 8(a) procurements.

Source: Federal Procurement Data System, Standard Report

EXHIBIT C

OWNERSHIP OF 8(a) FIRMS BY MINORITY GROUP

	1982		1987	
Minority group	Number	Percent	Number	Percent
Black	1,426	61.6	1,498	51.0
Spanish American	480	20.7	671	22.8
Asian	179	7.7	396	13.5
American Indian	127	5.5	214	7.3
Puerto Rican	44	1.9	103	3.5
Other	60	2.6	56	1.9
Total	2,316	100.0	2,938	100.0

Source: SBA Financial Information System

EXHIBIT D

COMPARISON OF ACTIVE 8(a) FIRMS BY TYPE OF BUSINESS

	1982		1987	
	Number	Percent	Number	Percent
Professional service	612	26.4	1,004	34.2
Construction	833	36.0	965	32.8
Nonprofessional service	548	23.7	501	17.1
Manufacturing	273	11.8	449	15.3
Concessions	50	2.2	19	0.6
Total	2,316	100.0	2,938	100.0

Source: SBA Financial Information System

EXHIBIT E

GEOGRAPHICAL DISPERSION OF 8(a) FIRMS

AND CONTRACT AMOUNTS IN FISCAL YEAR 1987

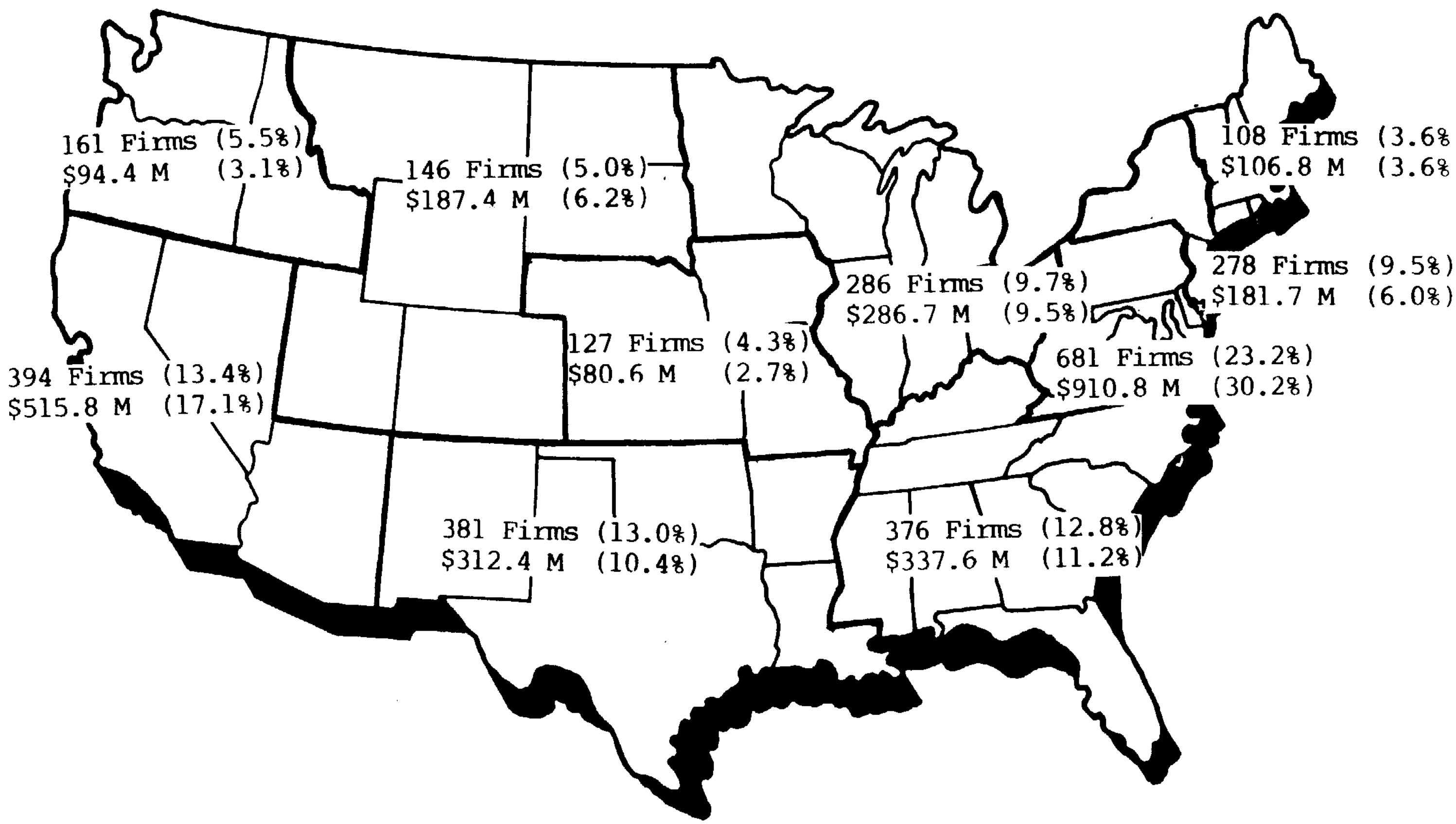

EXHIBIT F

ACTIVE 8(a) FIRMS AND VOLUME OF CONTRACT ACTIVITY

BY SBA DISTRICT AND REGIONAL OFFICE

Region/District	Number of active firms, 09/30/87	Contract activity FY 1987
Region I		
Boston Regional Office (RO)	76	$ 86.6
Hartford District Office (DO)	32	20.2
Total Region I	108	106.8
Region II		
New York DO	89	32.1
Syracuse DO	36	23.5
Puerto Rico and Virgin Island DO	56	13.0
Buffalo DO	9	.6
Newark DO	88	112.5
Total Region II	278	181.7
Region III		
Philadelphia DO	77	69.8
Richmond DO	93	145.7
Washington DO	400	552.2
Pittsburgh DO	27	7.2
Baltimore DO	71	88.4
Clarksburg DO	13	47.5
Total Region III	681	910.8
Region IV		
Atlanta RO	2	18.0
Atlanta DO	92	53.3
Miami DO	37	20.0
Louisville DO	22	3.1
Birmingham DO	49	112.7
Charlotte DO	46	28.7
Columbia DO	35	18.0
Jackson DO	30	17.2
Nashville DO	37	34.5
Jacksonville DO	26	32.1
Total Region IV	376	337.6

EXHIBIT F

Region/District	Number of active firms, 09/30/87	Contract activity FY 1987
Region V		
Chicago DO	80	129.6
Minneapolis DO	30	.8
Detroit DO	39	6.1
Milwaukee DO	15	5.2
Cleveland DO	43	47.4
Indianapolis DO	22	13.5
Columbus DO	57	84.1
Total Region V	286	286.7
Region VI		
Dallas DO	25	20.8
Corpus Christi Branch Office BO	16	8.2
Lower Rio Grande Valley DO	20	.4
Little Rock DO	40	20.7
Houston DO	30	8.8
El Paso DO	25	24.1
Lubbock DO	7	.1
New Orleans DO	48	44.5
Oklahoma City DO	36	36.7
San Antonio DO	71	86.3
Albuquerque DO	63	61.8
Total Region VI	381	312.4
Region VII		
Kansas City DO	46	51.8
Cedar Rapids DO	2	.2
Des Moines DO	6	2.7
Omaha DO	11	4.5
Wichita DO	23	9.5
St. Louis DO	39	11.9
Total Region VII	127	80.6

EXHIBIT F

Region/District	Number of active firms, 09/30/87	Contract activity FY 1987
Region VIII		
Denver RO	1	.5
Denver DO	71	129.9
Fargo DO	7	18.5
Sioux Falls DO	16	9.8
Salt Lake City DO	36	24.8
Helena DO	14	3.7
Casper DO	1	.2
Total Region VIII	146	187.4
Region IX		
San Francisco DO	121	100.8
Los Angeles DO	113	211.8
Santa Ana BO	18	45.9
Fresno DO	20	10.5
Las Vegas DO	15	9.2
Honolulu DO	24	10.1
San Diego DO	44	70.9
Phoenix DO	39	56.6
Total Region IX	394	515.8
Region X		
Seattle DO	78	31.6
Anchorage DO	13	15.9
Portland DO	47	25.2
Boise DO	5	3.2
Spokane DO	18	18.5
Total Region X	161	94.4
Grand total	2,938	$3,014.2

Source: SBA Financial Information System

 EXHIBIT G

TOP 50 8(a) FIRMS HAD OVER 35 PERCENT

OF CONTRACT AMOUNT IN FISCAL YEAR 1987

	NUMBER OF FIRMS	CONTRACT AMOUNT	PERCENT OF 8(a) CONTRACT AMOUNT
Business class			
Professional service	29	$ 686,610,946	22.8
Manufacturing	9	197,383,227	6.5
Construction	9	124,556,590	4.1
Nonprofessional service	3	53,687,841	1.8
Total	50	$1,062,238,604	35.2
Minority class			
Black	19	$ 429,548,084	14.3
Spanish American	19	416,919,461	13.8
Asian	8	126,576,931	4.2
American Indian	4	89,194,128	2.9
Total	50	$1,062,238,604	35.2

Source: SBA Financial Information System

 EXHIBIT H

TOP 50 FIRMS IN 8(a)

CONTRACT ACTIVITY IN FISCAL YEAR 1987

Firm	Amount of contract awards	Business class	Minority class	SBA district office
1	$ 76,625,954	D	3	Birmingham
2	69,219,027	D	0	Richmond
3	42,132,927	D	3	Denver
4	41,220,366	A	0	Newark
5	41,011,309	D	2	Clarksburg
6	36,845,784	D	0	Philadelphia
7	36,590,057	A	0	Chicago
8	31,261,920	D	3	Washington
9	27,182,251	D	0	Los Angeles
10	27,177,446	D	3	Los Angeles
11	26,376,895	B	3	Phoenix
12	25,649,784	D	0	Washington
13	24,419,549	D	0	Washington
14	23,253,829	C	3	Los Angeles
15	23,229,314	D	4	Nashville
16	22,285,308	D	4	San Diego
17	21,043,631	A	3	San Antonio
18	20,519,137	A	2	Denver
19	19,921,117	C	3	San Antonio
20	18,856,467	A	3	Los Angeles
21	18,772,149	A	0	Jacksonville
22	18,196,358	D	0	Los Angeles
23	16,564,811	A	2	Albuquerque
24	16,448,971	D	3	Los Angeles
25	16,324,936	D	4	Columbus
26	15,592,348	D	3	Chicago
27	15,539,478	B	0	Baltimore
28	15,504,492	B	0	Cleveland
29	15,491,193	D	0	Washington
30	15,172,190	D	3	Denver
31	15,163,683	D	0	Washington
32	14,908,338	D	4	Washington
33	14,593,161	D	4	Columbus
34	13,584,421	D	3	Los Angeles
35	13,521,220	D	3	Richmond
36	12,646,229	D	4	Boston
37	12,325,548	D	0	Portland
38	12,200,849	B	3	San Diego
39	12,080,333	B	0	New Orleans
40	12,034,338	A	3	Hartford
41	11,913,261	D	0	Los Angeles
42	11,782,271	A	0	Los Angeles
43	11,581,726	D	4	Washington
44	11,098,871	D	2	Oklahoma City
45	11,037,649	B	0	Cleveland
46	11,007,919	D	4	Baltimore
47	10,614,851	B	0	Little Rock
48	10,612,048	B	3	Albuquerque
49	10,589,995	B	3	Denver
50	10,512,895	C	3	Dallas
Total	$1,062,238,604			

Business class
A - Manufacturing
B - Construction
C - Nonprofessional service
D - Professional service

Minority class
0 - Black
2 - American Indian
3 - Spanish American
4 - Asian

Source: SBA Financial Information System

8(a) SALES EXPERIENCE OF FIRMS THAT HAVE BEEN IN PROGRAM AT LEAST 7 YEARS

Firm	FPPT[a] date	Latest sales breakout: Non-8(a)	8(a)	Total	Latest 8(a) sales dependency	Number of years in program
		---(dollars)---			(percent)	
A	4/21/88	$1,267,062	$50,854,047	$52,121,109	97.6	8
B	4/21/88	21,858,122	25,438,108	47,296,230	53.8	9
C	4/21/89	14,485,130	24,447,110	38,932,240	62.8	8
D	4/19/89	8,319,863	9,171,962	17,491,825	52.4	8
E	10/21/87	605,922	11,512,514	12,118,436	95.0	17
F	3/22/88	58,709	9,392,456	9,451,165	99.4	11
G	4/15/89	749,298	8,543,229	9,292,527	91.9	12
H	10/5/87	1,316,120	7,616,312	8,932,432	85.3	10
I	3/24/89	170,023	7,647,749	7,817,772	97.8	9
J	10/21/88	1,233,658	6,477,688	7,711,346	84.0	8
K	3/24/87	81,042	6,715,576	6,796,618	98.8	10
L	3/24/87	0	5,707,205	5,707,205	100.0	10
M	4/8/88	2,382,339	3,175,188	5,557,527	57.1	12
N	10/14/88	219,292	5,105,022	5,324,314	95.9	9
O	10/24/88	456,329	4,556,751	5,013,080	90.9	9
P	4/2/89	1,403,183	2,579,379	3,982,562	64.8	13
Q	4/21/88	17,136	3,555,475	3,572,611	99.5	9
R	4/14/88	385,600	2,623,050	3,008,650	87.2	12
S	10/21/87	142,793	2,600,187	2,742,980	94.8	11
T	4/2/88	474,408	1,588,723	2,063,131	77.0	10
U	4/21/88	625,530	390,506	1,016,036	38.4	8
V	10/21/86	309,026	543,156	852,182	63.7	13
W	4/21/89	347,623	256,023	603,646	42.4	10
X	4/16/87	80,408	339,906	420,314	80.9	16
Y	4/7/88	55,423	188,087	243,510	77.2	14
Z	4/21/88	38,959	196,975	235,934	83.5	12
AA	4/16/89	7,559	15,465	23,024	67.2	7
Average - 27		2,114,465	7,453,254	9,567,719	79.2	10.6
AB	4/14/89	11,928,628	1,608,449	13,537,077	11.9	8
AC	9/30/86	756,628	130,507	887,135	14.7	13
AD	4/15/89	479,146	0	479,146	0.0	9
AE	4/15/88	233,507	65,196	298,703	21.8	13
AF	4/14/88	280,528	17,016	297,544	5.7	11
AG	4/15/88	193,883	25,527	219,410	11.6	15
AH	9/24/86	161,102	32,433	193,535	16.8	14
AI	9/30/86	84,341	22,185	106,526	20.8	12
Average - 8		1,764,720	237,664	2,002,385	12.9	11.9
OVERALL AVERAGE		$2,034,523	$5,803,976	$7,838,499	64.1	10.9

[a]Fixed program participation term

EXHIBIT J

EXHIBIT J

TEN OF THE TOP 50 FIRMS IN TERMS OF 1987 CONTRACT AWARDS

Firm	Sales beginning of 5 years[a] 8(a)	Total	Dependency	Sales end of 5 years[a] 8(a)	Total	Dependency	Business class	FPPT[b] date	Years in program
	--------(dollars)--------		(percent)	---------(dollars)--------		(percent)			
A	4,773,000	5,104,000	93.5	30,854,000	52,121,000	97.6	D[c]	4-21-88	[illegible]
B	10,617,000	13,399,000	79.2	25,438,000	47,296,000	53.8	D	4-21-88	[illegible]
C	2,078,000	4,122,000	50.4	15,451,000	19,845,000	77.9	D	4-16-89	[illegible]
D	302,000	305,000	99.0	17,059,000	19,635,000	86.9	D	4-21-89	[illegible]
E	3,015,000	3,161,000	95.4	9,172,000	17,492,000	52.4	D	4-21-89	[illegible]
F	2,675,000	3,690,000	72.5	13,279,000	16,376,000	81.1	D	4-2-88	[illegible]
G	705,000	705,000	100.0	9,534,000	13,677,000	69.7	D	3-31-88	[illegible]
H	2,300,000	3,292,000	69.9	9,392,000	9,451,000	99.4	C[d]	3-22-88	[illegible]
I	3,406,000	3,493,000	97.5	6,716,000	6,797,000	98.8	D	3-24-87	10
J	689,000	1,006,000	68.5	5,105,000	5,324,000	95.9	D	10-14-88	[illegible]
Total	30,560,000	38,277,000	79.8	162,000,000	208,014,000	77.9			
Average	3,056,000	3,827,700	82.6	16,200,000	20,801,400	81.3			

[a]Dollars rounded to nearest thousand.

[b]Fixed program participation term

[c]Professional service

[d]Nonprofessional service

SCHEDULE OF THRESHOLD LEVELS FOR CONTRACTS

AND RELATED MODIFICATIONS AWARDED

By Number of Awards

Awards	1985 Number	1985 Percent	1986 Number	1986 Percent	1987 Number	1987 Percent
Total Awards	5,225	100.0	4,498	100.0	4,227	100.0
$ 500,000 and over	972	18.6	893	19.9	696	16.5
$1,000,000 and over	555	10.6	526	11.7	369	8.7
$2,000,000 and over	302	5.8	280	6.2	187	4.4
$5,000,000 and over	86	1.6	93	2.1	32	.8

By Value of Awards

(dollars in thousands)

Awards	1985 Value	1985 Percent	1986 Value	1986 Percent	1987 Value	1987 Percent
Total Awards	$2,823,991	100.0	$2,623,992	100.0	$1,773,772	100.0
$ 500,000 and over	2,317,555	82.1	2,200,666	83.9	1,367,141	77.1
$1,000,000 and over	2,020,522	71.6	1,935,578	73.8	1,135,233	64.0
$2,000,000 and over	1,665,459	59.0	1,581,772	60.3	868,926	49.0
$5,000,000 and over	1,032,137	36.6	995,333	37.9	382,688	21.6

Source: SBA Financial Information System

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