



# Contingency Plan for Potential DBE Program Impacts

## PURPOSE

ACEC/PA is proposing an alternative to mitigate negative impacts if the Disadvantaged Business Enterprise (DBE) program is no longer supported by the federal government. The alternative described below serves as a contingency plan that protects ALL small businesses and provides them with fair opportunities to contract with the federal government.

## PART 1: FACTS AND CHALLENGES

### Why is it Important to Preserve Small Business Goals in Infrastructure Contracts?

#### **33,185,550 Small Businesses in the United States = 61.7 Million American Jobs**

According to the Small Business Administration (SBA) Office of Advocacy, 99.9% of businesses are small. There are 33,185,550 small businesses in the United States. They employ 61.7 million Americans and total 46.4% of private sector employees.

#### **Small Businesses Create 64% of All New Jobs in the United States**

Small businesses are the backbone of the United States economy. If there is no small business program, ACEC/PA will see a substantial number of member firms forced to sell or simply go out of business. This will result in a consolidation of resources, which will result in a net loss of jobs. According to the SBA, small businesses create 64% of all new jobs in the United States. According to the National Minority Supplier Development Council, Inc., certified minority-owned businesses added \$738 billion in revenue and 1.9 million jobs from 2017 to 2022.

#### **Diverse Supply Chains = Innovation and Growth**

Diverse suppliers are shown to outperform homogeneous ones when it comes to resiliency and innovation. Different points of view from diverse backgrounds promote diverse thinking and innovative ideas. According to McKinsey & Co., companies with diverse supply chains innovate faster and grow more steadily.

## **Small Firms Offer Young Engineers Better Opportunities for Advancement**

Small engineering firms offer younger employees a great place to learn and grow in their careers. Young engineers also have better opportunities for advancement at small firms (ASCE 2019).

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## **What would be the effects of eliminating contract goals for small businesses?**

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### **Decreased Competition, Innovation, and Quality of Work**

Shrinking of the consultant business pool will translate into less competition, which will stifle innovative thinking and reduce the urgency to provide quality and creative work. Small businesses in our industry are a major source of niche services and specialized experts, which contributes to innovation to provide alternative solutions.

### **Higher Costs for Government Agencies**

GAO studies have shown that reduced subcontractor diversity leads to higher bids and fewer innovative solutions. Less competition means higher prices for government agencies (GAO Reports on DBE Effectiveness [e.g., GAO-01-586, GAO-12-78]).

### **Devastating Effects on Small Businesses**

ACEC/PA fears that large firms will not be motivated to utilize small businesses on their own, which is why we need this program in the first place. Although the elimination of small business goals could translate into some growth for large companies, the impacts to small businesses will be proportionately larger and significantly devastating. Our businesses will see larger firms hiring our employees, thereby reducing our ability to compete for contracts.



## **PART 2: SOLUTION**

### **Proposed Contingency Plan to Maintain a Small Business Component in Contracts**

- Replace the DBE program with a Small Business (SB) program that follows the same criteria as the current Small Business Administration (SBA) program. The SBA defines small businesses based on revenue limits by NAICS. This criteria will preserve the idea of including small businesses in transportation contracts.
- This program is already in place at the federal level and includes ALL firms that meet the revenue limit requirements based on their NAICS Code(s). Codes and revenue limits can be found here: [www.sba.gov/document/support-table-size-standards](http://www.sba.gov/document/support-table-size-standards).

- The states will need time to announce this change and certify firms that are interested in joining the program.
- Any current DBEs with up-to-date certifications will automatically be certified in this program.
- Existing contracts will not be affected by the change in program.
- Once the new SB program is established at the federal level, the states can replace their DBE requirements in their contracts with SB requirements, resulting in a no-net change in the states' goals. Percent goals will be the same as the DBE program.
- The states will not need to produce a new program; they could adopt the federal SBA program, which will save time and money.
- The process of certification can follow the existing DBE certification framework, which will reduce time spent on creating a new certification program.
- The states will continue to track and set goals for their uses of small businesses.
- Make the change transitional; do not eliminate the program overnight. This will give DBE firm owners time to think about what they want to do moving forward and explore their options. We are proposing a five-year gradual phase-out of the program instead of an immediate elimination.

## CONCLUSION

If the DBE program is dismantled and it is not replaced with an SB program as described above, it will not only negatively impact thousands of small businesses, but the effects will negatively impact our economy by reducing job creation, limiting innovation, and raising public costs such as unemployment. The nation is at a crossroads in our industry, and every employees' efforts are crucial to the success of the safety and strength of our infrastructure. Now is not the time to take valuable resources away from an industry that has always been a bipartisan priority. There is no doubt that small businesses will get pushed out of the industry, and the long-term effects will be detrimental to our economy.

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