

Executive Actions and Federal Contracting with Small Disadvantaged Businesses

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Contracting Goal Origins

Since 1988, the federal government has maintained minimum annual goals for contracting with “small disadvantaged businesses” (SDBs). At that time, Congress required that SDBs 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). This law also directed each federal agency to “have an annual goal that presents, for that agency, the maximum practicable opportunity” for SDB participation in agency contracts. The SDB goal exists alongside four other statutorily required small business contracting goals (see **Table 1**).

SDBs are small businesses owned and controlled by *socially and economically* disadvantaged individuals (to qualify as an SDB, controlling individuals must be both). Socially disadvantaged individuals have been subjected to racial or ethnic prejudice or cultural bias within American society because of their identities as members of groups, and without regard to their individual qualities (*15 U.S.C. §637(a)(5)*); Economically disadvantaged individuals are those whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities (*15 U.S.C. §637(a)(6)*). They must have a net worth of less than \$850,000, among other requirements (*13 C.F.R. §124.104(c)*). While all firms in the Small Business Administration’s (SBA’s) *8(a) Business Development Program* qualify as SDBs, not all SDBs are in the 8(a) program.

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Executive Actions Affecting SDBs

Executive actions across multiple Administrations have affected agency efforts to contract with SDBs. Actions related to SDB contractors during the Biden Administration included the following: [Executive Order \(E.O.\) 13985](#), titled “Advancing Racial Equity and Support for Underserved Communities Through the Federal Government,” and [E.O. 14091](#), titled “Further Advancing Racial Equity and Support for Underserved Communities Through the Federal Government.”

E.O. 13985 references “[p]otential barriers that underserved communities and individuals may face” in federal contracting and calls for the head of each agency to address “barriers to full and equal participation in agency procurement.” Section 7 of E.O. 14091 tasked the SBA to work with each agency to establish annual agency-specific goals that, in the aggregate, would support a 15% government-wide SDB contracting goal, as part of its annual goal-making process (see “Agency Goal-Making Process,” below).

The Biden Administration’s Office of Management and Budget (OMB) then issued a series of memoranda that directed agencies to gradually increase the share of contracts awarded to SDBs: in FY2022, agencies were required to collectively award at least 11% of contract spending to SDBs, per [the Office of Management and Budget Memorandum M-22-03](#). In FY2023, agencies were required to collectively award at least 12% to SDBs, per [Office of Management and Budget Memorandum M-23-01](#). In FY2024, they were required to collectively award at least 13% to SDBs, per [Office of Management and Budget Memorandum M-24-01](#).

On January 20, 2025, President Donald J. Trump [revoked E.O. 13985 and E.O. 14091](#), and issued [E.O. 14151](#), titled “Ending Radical and Wasteful Government DEI Programs and Preferencing” included the directive to “terminate, to the maximum extent allowed by law, all ... ‘equity action plans,’ ‘equity’ actions, initiatives, or programs.” E.O. 14151 did not define these terms and did not mention small business procurement goals. Potentially in response to the President’s executive order, on January 24, SBA issued [FY2025 agency procurement goals](#) that reverted back to the minimum 5% statutory requirement for SDB participation. SBA has not provided an explanation for its decision to revert back to the 5% goals.

Statutory Contracting Goals

The five government-wide contracting goals set by Congress are as follows:

Table 1. Statutory Contracting Goals

Type of Firm	Goal	Measure of Contract Awards
Small Businesses	23%	Dollar value of prime contract awards
Small Disadvantaged Businesses	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	5%	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); P.L. 118-31.

SDB Goal Attainment

According to the SBA, the federal government has awarded more than 10% of eligible contract dollars to SDBs over the past five fiscal years:

Table 2. FY2019-FY2023 Share of Contract Award Dollars to SDBs

Type of Firm	Statutory Goal	FY2023 Scorecard Percentage Dollars Awarded	FY2022 Scorecard Percentage Dollars Awarded	FY2021 Scorecard Percentage Dollars Awarded	FY2020 Scorecard Percentage Dollars Awarded	FY2019 Scorecard Percentage Dollars Awarded
SDB	5%	12.1%	11.38%	11.01%	10.54%	10.29%

Source: SBA, Small Business Procurement Scorecard [FY2019-FY2023].

Notes: SBA excludes certain contracts when procurement data is unavailable or because the work cannot realistically be performed by small businesses. The value of contracts with these exclusions is referred to as the “small business eligible” value. According to the SBA, most excluded contracts are acquisitions 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.

Agency Goal-Making Process

The SBA oversees small business procurement goal-making for individual federal agencies. It consults with agencies to establish annual goals that collectively add up to the statutory, government-wide goals, as required by [Section 15\(g\)\(2\) of the Small Business Act](#). SBA’s “[Goaling Guidelines](#)” describe this process. SBA negotiates with agencies to create small business and small disadvantaged business goals (SDB goals were added to the negotiation process in FY2022, per the [Office of Management and Budget Memorandum M-22-03](#)). SBA has also set agency goals for HUBZone businesses, women-owned small businesses, and service-disabled veteran-owned small businesses at the statutory level; it has based subcontracting goals on recent attainment levels. 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.

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