

Increasing the Capacity of the Nation's Small Disadvantaged Businesses (SDBs/DBEs)

Presented to GDOT Equal Access Committee

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Major Issues

- Current Personal Net Worth ceiling limits
SDBs/DBEs capacity
- Limits access to government contracts and
corporate supply chains
- Adjust PNW but preserve the legality of programs
- Measure the Impact of SDB Program on National
output and employment



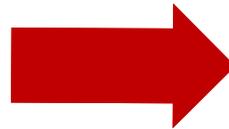
2006 Economic Impact Directly Attributable to the SDB Program

- SDBs add \$5.5 billion annually to U.S. final output
- They add 124,000 jobs annually
- One-third of minority government contractors operate in high poverty areas of central cities

Key Finding of Study

PNW and DBE Capacity are Related

A 100% Change in Firm
Capacity



A 40% Change in Owner's
Personal Net Worth



Problems Caused by PNW Ceiling

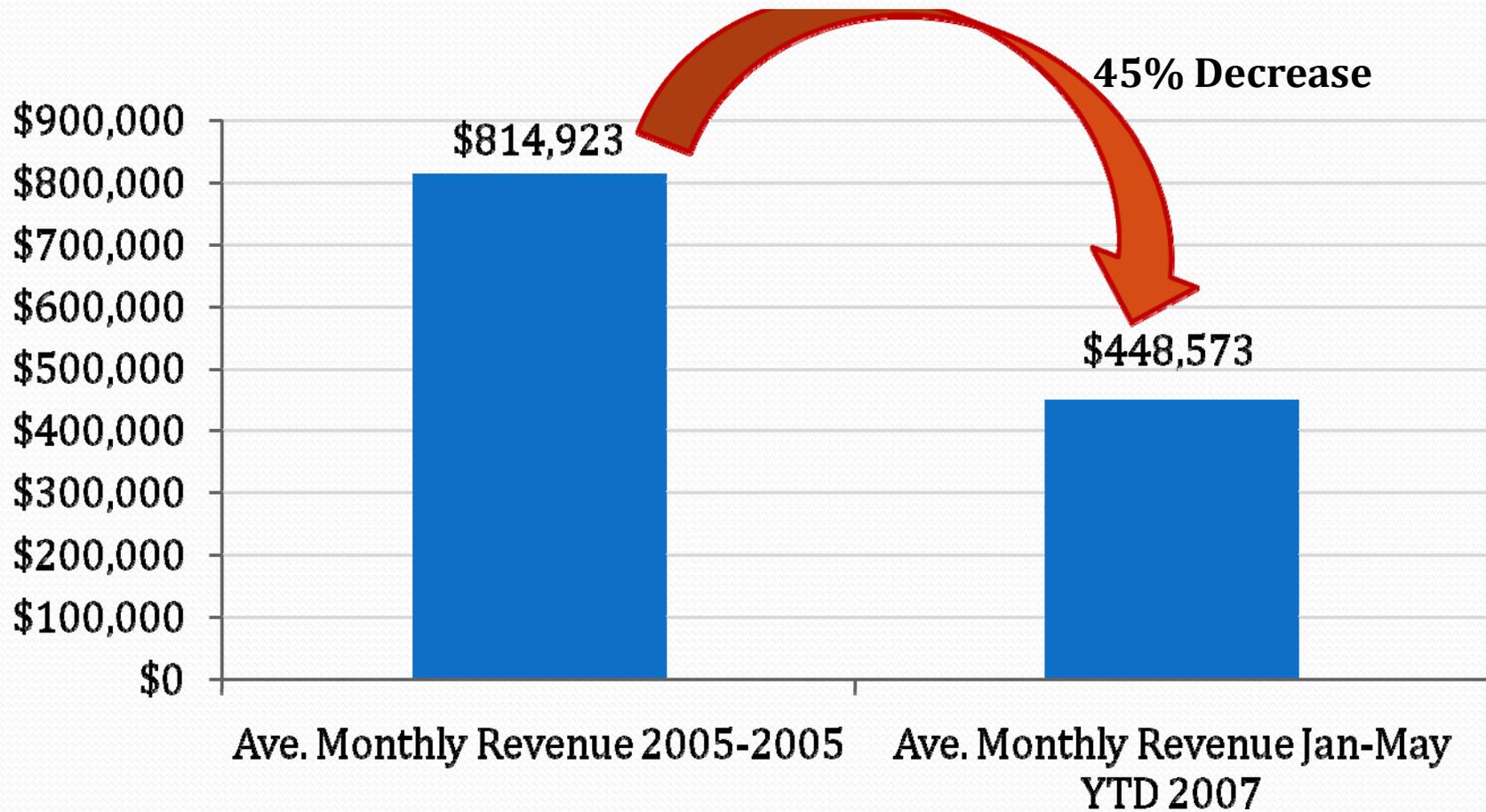
1. Ceiling was set in 1998 at \$750,000, never adjusted for inflation
2. Current real value = \$558,070
3. Original level was not based on an industry study
4. One ceiling was set for all industries



Problems Caused by PNW Ceiling

5. Limits access to bonding and financing
6. Prevents DBEs from achieving their expected capacity
7. Unanticipated DBE graduations causes significant short-run losses in revenue

Avg. Monthly Revenue of GDOTs DBEs Decreased by 45% following Unexpected Decertification





Recommendation

- ❖ Adjust PNW for inflation and make adjustments annually
- ❖ Set PNW ceilings by Industry
 - ❖ Construction = \$979,000
 - ❖ Manufacturing = \$1,043,000
 - ❖ Professional & Scientific = \$1,026,000
- ❖ Allow a two-year transitional period in program when firms reach PNW ceiling



Current Status

- Congressional committees are drafting new legislation to adjust PNW
- A follow-up study is being commissioned to explore:
 - Whether PNW is the best criteria
 - How PNW affects DBEs after graduation
 - How PNW affects Non-DBEs after DBE graduation
 - How PNW affects DBE Bonding and financing
 - Whether small business industry size standards should be adjusted