

# GAO Highlights

Highlights of [GAO-22-104512](#), a report to the Chairwoman, Committee on Small Business, House of Representatives

## Why GAO Did This Study

SBA's 8(a) Business Development Program is one of the federal government's primary vehicles for developing socially and economically disadvantaged small businesses. SBA determines whether 8(a) firms are economically disadvantaged by assessing the net worth, total assets, and average income of the individuals who own the firms.

GAO was asked to examine the 8(a) program's thresholds for determining economic disadvantage. This report addresses (1) SBA's compliance with the reporting requirement for the 8(a) program, and (2) SBA's revision of the economic disadvantage requirements for the program. GAO analyzed financial data on 8(a) applicants and federal contracting data, reviewed 8(a) program reports, and interviewed SBA officials and small business groups. GAO also held discussions with four groups of program participants.

## What GAO Recommends

GAO recommends that SBA (1) document procedures for the report process, (2) assess the process and develop a plan to address report delays, and (3) evaluate the effects of the changes to the 8(a) program's thresholds. SBA concurred with the recommendations.

View [GAO-22-104512](#). For more information, contact William B. Shear at (202) 512-8678 or [shearw@gao.gov](mailto:shearw@gao.gov).

August 2022

## SMALL BUSINESS ADMINISTRATION

### Recent Changes to the 8(a) Program's Financial Thresholds Need Evaluation

## What GAO Found

The Small Business Administration (SBA) annually must report to Congress on the 8(a) Business Development Program. But SBA did not submit the 2016–2021 reports when they were due (April 30 of the following year). SBA submitted the 2016 and 2017 reports in February of 2020. SBA expects to submit the 2018 report in August 2022 and complete the 2019–2021 reports by December 2022. According to SBA officials, multiple factors, including manual data collection and data validation, implementation of a new data system, and the timing of certification for federal contract data contributed to delays in submitting prior reports. Many of these factors likely will continue to affect the timeliness of future reports. But SBA has not documented procedures for producing the reports or assessed its report process for operational efficiencies, and does not have a plan to address report delays. By not doing so, SBA faces the risk that staff may not implement reporting procedures appropriately, reports will continue to be long delayed, and Congress will not receive timely information on the 8(a) program.

In July 2020, SBA changed the 8(a) financial thresholds for determining whether an individual qualifies as economically disadvantaged, but did not conduct any empirical analyses before making the changes.

- SBA increased the threshold for net worth from \$250,000 (for program entry and \$750,000 for continued participation) to \$750,000 (for entry and continued participation); for income from \$250,000 (for program entry and \$350,000 for continued participation) to \$350,000 (for entry and continued participation); and for total assets from \$4 million (for program entry and \$6 million for continued participation) to \$6 million (for entry and continued participation).
- SBA officials said they wanted 8(a) thresholds to match those of the agency's Women-Owned Small Business program.

GAO found the new financial thresholds might increase program participation. Higher numbers of participants also might increase the competition for 8(a) contracts, which have been declining in number in recent years. However, SBA does not plan to assess the potential effects of the new thresholds. Federal standards for internal control state agencies should identify and address risks to achieving their objectives, including significant changes to external and internal conditions. Performing such an assessment could help SBA determine any effects on the ability of the 8(a) program to accomplish its mission—to help eligible small businesses develop over the program's 9-year period—and address any unintended consequences resulting from the new thresholds.