

Fact Sheet: Small Business Procurement

June 2021

Key Takeaways:

- Small businesses play a critical role as contractors providing government goods and services. Yet there has been a 38% decline in the number of small businesses participating as federal contractors since 2010.
- Reversing this and other trends by expanding small business participation in government procurement can strengthen economic recovery.

By the Numbers

\$586.2 billion

- Amount spent by federal government purchasing goods and services in fiscal year (FY) 2019
- This includes everything from office supplies to software



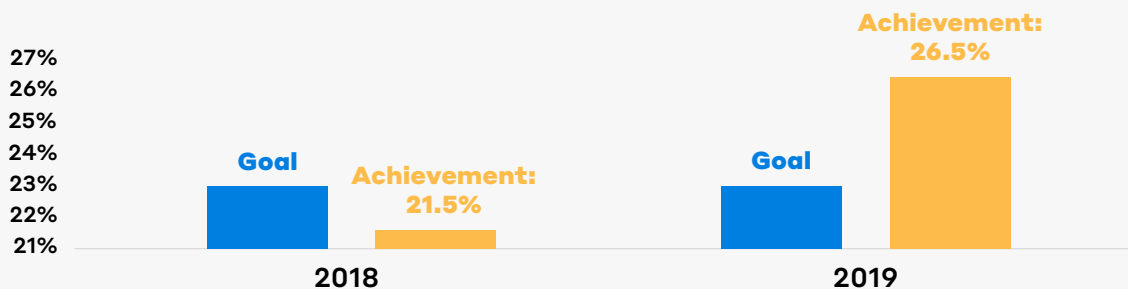
Source: [GAO](#).

23%

- Share of federal procurement dollars that must be awarded to small businesses



The federal government generally reaches—and even surpasses—that statutory goal each year in prime contract awards

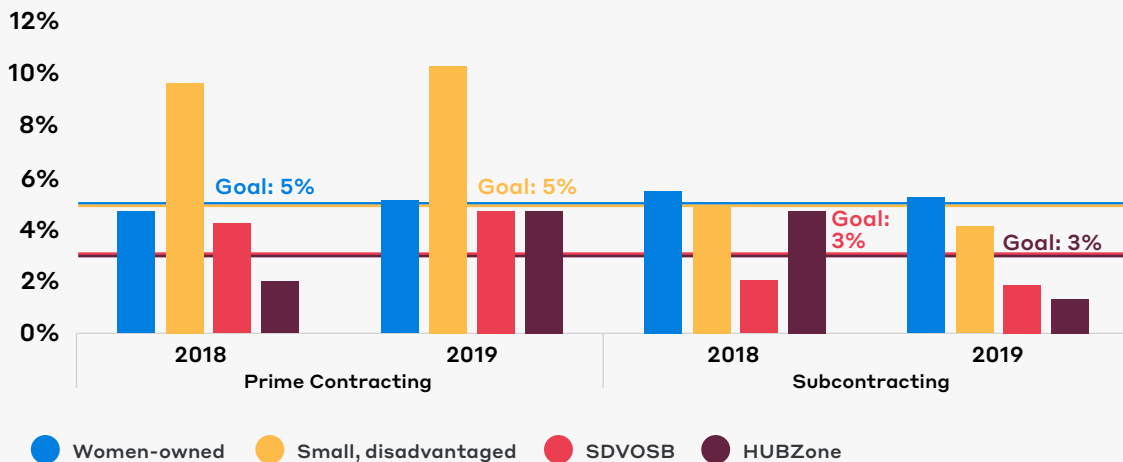


Source: Small Business Administration.

Federal agencies must also meet procurement goals for specific types of small businesses:

- Women-owned small businesses
- Small disadvantaged businesses
- Service-disabled, veteran-owned small businesses (SDVOSB)
- Small businesses located in HUBZones (historically underutilized business zones)

Federal Agency Performance in Meeting Prime and Subcontracting Small Business Goal

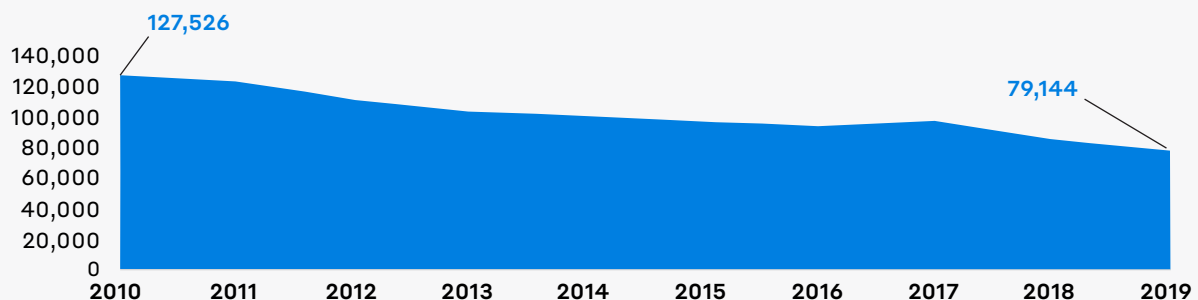


Source: SBA.

BUT:

- Even as the federal government has met the top-line 23% goal, the **number** of small businesses participating in federal contracts has significantly declined over the last decade.

Steady Decline in Number of Small Businesses Providing Common Products & Services to Federal Government



Source: Government Accountability Office.

38%



Decline in number of **small businesses** participating as federal contractors for common products & services, 2010 to 2019

23%



Decline in number of **large businesses** participating as federal contractors for common products & services, 2010 to 2019

“Small contractors are losing their foothold in accessing federal contracts.”

— House of Representatives, Committee on Small Business (2019)

What's Going On?

Since 2005, the federal government has sought greater efficiency in procurement. Through the Federal Strategic Sourcing Initiative and, beginning in 2016, Category Management, reforms have reduced duplication and saved taxpayers money.

- It worked: from 2016 to 2020, the federal government saved roughly \$27 billion. Cost savings for taxpayers is a good thing.

BUT:

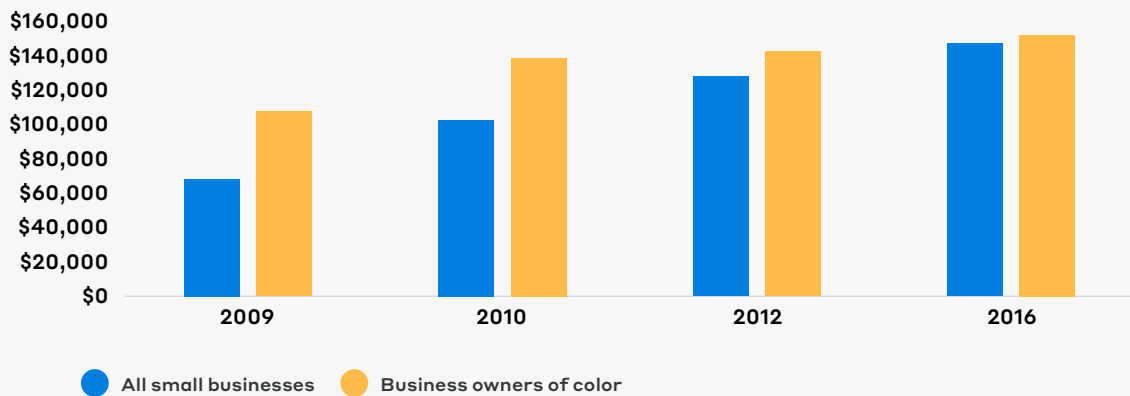
- There are tradeoffs.

Efficiency gains in Category Management rely heavily on “best-in-class” (BIC) contracts that promote standardization and consolidated purchasing.

- **For small businesses, BIC contracts require more resources and upfront costs.**

Even before Category Management, it was getting harder and more expensive for small businesses to win federal contracts.

Average Investment by Small Businesses in Seeking Federal Contracts



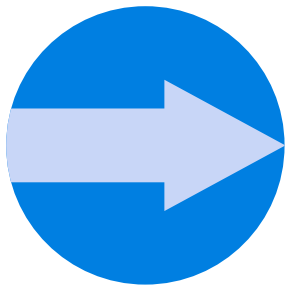
Source: American Express OPEN for Government Contracting.

“OMB staff noted that BIC and government-wide solutions may not be suitable where their use could cause significant harm to the small business industrial base.”

— GAO report, November 2020

“The adoption of the ‘Best in Class’ (BIC) contracting vehicles has created an unequal playing field, limiting access to few selected companies.”

— CEO, small business contractor



Congress and the Administration should seek ways to achieve greater balance between efficiency, on one hand, and innovation, competition, and economic vitality on the other.

