



Bipartisan Policy Center

Supporting Small Business and Strengthening the Economy Through Procurement Reform

July 2021



Bipartisan Policy Center



Key Takeaways:

- Small businesses play a crucial role in the economy and in the federal procurement system, providing vital goods and services to the federal government each year.
- Supporting small businesses' involvement in government contracting promotes job creation, diversity, competition, and innovation. Small business contractors also support local communities and help ensure that the country's national security industrial base is vibrant and robust.
- Congress has two near-term legislative opportunities to make reforms that would expand and strengthen small business participation in federal procurement. In the very near-term, an infrastructure package offers an important avenue. Another opportunity is SBA reauthorization, which could be tackled in late 2021 or 2022.
- Reforms—many of which are proposed in this report—are urgently needed given concerning declines in small business procurement opportunities and engagement.
- The number of small businesses providing common products and services to the federal government shrank by 38% from 2010 to 2019. Even more dramatically, the number of small businesses entering the procurement marketplace as new entrants declined by 79% from 2005 to 2019.
- Many small businesses are left on the sidelines given the high cost—in money, time, and resources—to navigate the procurement process, as highlighted in a June 2021 survey by the Goldman Sachs *10,000 Small Businesses Voices* program.¹
- While the federal government has laudably continued to meet its topline goal of awarding 23% of procurement dollars to small businesses annually, it has fallen short of meeting important goals for specific types of businesses. Five percent of contract spending is supposed to go to women-owned small businesses (WOSBs) but the WOSB goal has only been met twice (2015 and 2019) since it was established in 1994. The HUBZone (historically underutilized business zones) goal of 3% has never been met. That, says one small business owner, equates to billions of dollars in spending not making it into communities most in need.
- Taking action to improve the ability of small businesses to participate in federal procurement would strengthen small businesses, local communities, and the broader economy.

Executive Summary

Small business procurement is an underappreciated yet critically important dimension of economic activity. Each year, tens of thousands of small businesses serve as contractors to the federal government, providing a variety of goods and services. This enables more resilient supply chains, job creation, a vibrant and innovative industrial base for national security, and more diverse, competitive, and dynamic markets.

Reforms to the federal procurement process—many of which are proposed in this report—are urgently needed given concerning declines in small business procurement opportunities and engagement.

While the federal government has continued to meet its topline annual goal of awarding 23% of procurement dollars to small businesses, it has failed to meet important goals for specific types of companies such as women-owned small businesses.

Additionally, fewer small businesses have been participating as contractors, partly due to onerous barriers to entry. From 2010 to 2019, the number of small businesses providing common products and services to the federal government shrank by 38%.² Even more dramatically, the number of small businesses entering the procurement marketplace as new entrants declined by 79% from 2005 to 2019.

In roundtables convened by the Bipartisan Policy Center, Goldman Sachs *10,000 Small Businesses Voices*, and Center Forward, small business owners have expressed various concerns. These range from burdensome process requirements and poor treatment by prime contractors to a sense that the government isn't invested in their success.

Congress and the Administration have opportunities to take bipartisan action that will address these concerns, expand small business participation in federal procurement, and support the broader economy. Near-term legislative opportunities for reforms include the infrastructure package and SBA reauthorization. Such actions would help:

- **Expand the breadth of small business participation, increase diversity, and reduce barriers to entry;**
- **Enhance assistance for small businesses to increase competition and economic vitality;**
- **Improve transparency, accountability, and oversight.**

The overall impact of these actions would **strengthen supply chains, broaden the industrial base, create jobs, and promote economic dynamism.**

Bipartisan Support for Small Business Role in Federal Procurement

- For this work, the Bipartisan Policy Center collaborated with the Goldman Sachs *10,000 Small Businesses Voices* program and Center Forward.
- We convened two roundtables of small businesses that have been or currently are government contractors. We spoke with experts and former agency officials. Additionally, we reviewed government reports, congressional testimony, and private analyses.

Support for American small business has historically been bipartisan. That support from across the political spectrum has also extended to small businesses' role in federal procurement. Every year, the federal government purchases over half a trillion dollars' worth of goods and services from the private sector. In fiscal year 2019, the latest year for which data is available, federal contract obligations reached \$586 billion—an all-time high.³

Through that spending, the federal government purchases everything from office supplies and building maintenance to software and advanced weaponry. By law, 23% of federal procurement spending each year must go to small businesses, which translates into over \$130 billion for those companies. In 2016, Rep. Nydia Velázquez (D-NY), now Chairwoman of the House Committee on Small Business, observed that “when small businesses are awarded federal contracts, the result is a win-win.”⁴

In 2019, then-Chairman of the Senate Committee on Small Business and

Entrepreneurship Sen. Marco Rubio (R-FL) highlighted the role of small businesses in procurement:

Innovations and unique solutions from small business in the private sector help to support our soldiers, protect national security, enhance government operations and make the federal bureaucracy more efficient. To keep this contracting cycle going, we must reduce fraud, streamline the contracting office at the SBA, and provide more opportunities for small businesses to grow.⁵

Bipartisanship in supporting small business contractors was on full display during the COVID-19 pandemic. The National Defense Authorization Act (NDAA) for Fiscal Year 2021 was passed by Congress in late 2020. It included an amendment championed by Sen. Ben Cardin (D-MD), which added a one-year extension onto small businesses' participation in the 8(a) Business Development Program. The 8(a) program is the anchor of the Small Business Administration's efforts to promote small business participation in federal procurement.

This extension was implemented by the SBA in the final days of the Trump Administration. The Biden Administration has continued this support. In a White House fact sheet issued after release of President Biden's budget proposal, the administration declared that federal "agencies will assess every available tool to lower barriers to entry and increase opportunities for small businesses and traditionally-underserved entrepreneurs to compete for federal contracts."⁶

Why Small Business Procurement Is Important

A robust role for smaller and younger companies in federal procurement supports small businesses while also serving a number of national interests.

Competition and Economic Dynamism. The Small Business Act was passed by Congress and signed into law by President Eisenhower in 1953. The legislation created the modern template for federal small business policy, including the Small Business Administration. It has been reauthorized multiple times, in bipartisan fashion, by Congress in the decades since. Each time Congress reauthorizes the Small Business Act, it reaffirms the bill's original stipulations:

The essence of the American economic system of private enterprise is free competition. Only through full and free competition can free markets, free entry into business, and opportunities for the expression and growth of personal initiative and individual judgment be assured. The preservation and expansion of such competition is basic not only to the economic well-being but to the security of this Nation. Such security and well-being cannot be realized unless the actual and potential capacity of small business is encouraged and developed. It is the declared policy of the Congress that the Government should aid, counsel, assist, and protect, insofar as possible, the interests of small-business concerns in order to preserve free competitive enterprise, to insure that a fair proportion of the total purchases and contracts or subcontracts for property and

services for the Government (including but not limited to contracts or subcontracts for maintenance, repair, and construction) be placed with small-business enterprises, to insure that a fair proportion of the total sales of Government property be made to such enterprises, and to maintain and strengthen the overall economy of the Nation.”⁷

Specific support for small and young companies is not corporate welfare; it is not a distortion of free and competitive markets. It is a dedicated means to *preserve* competition and free entry.

One of the principal ways Congress sought to strengthen competition and free markets was to dedicate a “fair proportion” of government contracts to small businesses.

Innovative and Vibrant Industrial Base. The federal government does not generally have a reputation for being a font of innovation. But it can help catalyze innovative economic activity through a variety of channels—for example, research and development funding. Procurement of goods and services from the private sector is also one of those channels.

Robust usage of small businesses in procurement helps ensure that the federal government can access commercial innovation. This has been a national priority for a quarter-century. With adoption of the Federal Acquisition Streamlining Act (FASA) of 1994, Congress underscored the importance of allowing “the government to obtain state-of-the-art commercial technology.”⁸

Accessing commercial innovation assists in government delivery of public goods and services. A commercial-first approach to procurement—mandated by Congress—requires government to “attract and maintain new market entrants and innovators.”⁹ This is not only important economically but also critical for national security. Former Secretary of Defense James Mattis, in the 2018 National Defense Strategy, highlighted this dimension:

The [Defense] Department’s technological advantage depends on a healthy and secure national security innovation base that includes both traditional and non-traditional defense partners. ... We will continue to streamline processes so that new entrants and small-scale vendors can provide cutting-edge technologies.¹⁰

The Department of Defense accounts for the largest share of federal purchasing. From fiscal years 2015 through 2019, Defense Department contract spending comprised 65%, on average, of total federal procurement.¹¹ The sheer size of federal spending on national security explains Mattis’ emphasis on including “new entrants and small-scale vendors.” If the Defense Department doesn’t actively utilize small and young companies in procurement, our “competitive edge” dulls.

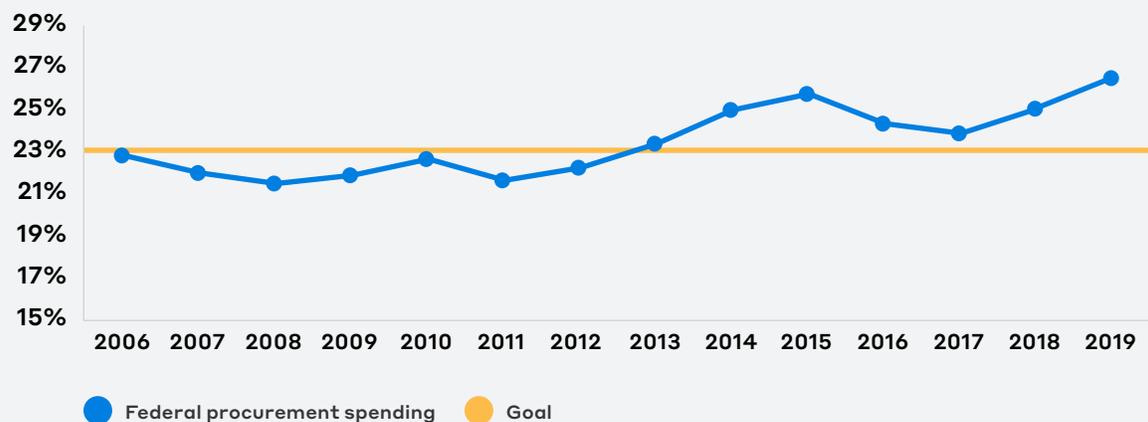
Resilient Supply Chains. The COVID-19 pandemic exposed just how vulnerable American supply chains are to disruption—and, correspondingly, how crucial resilient and diversified supply chains are for the economy. Supply chains grow brittle if too dependent on a small number of companies.¹²

In a February 2021 executive order, President Biden directed the U.S. government to take steps to build policy for “resilient, diverse, and secure supply chains” that “supports small businesses [and] prevents monopolization.” The bipartisan interests and concerns that originally animated the 1953 Small Business Act continue to resonate today.

Small Business Procurement: What’s Working Well

For seven years in a row, the federal government, across all agencies, has met the topline statutory goal of allocating 23% of procurement spending to small businesses.

Figure 1: Federal Procurement Spending Has Met or Exceeded Goal 7 Consecutive Years



Source: Small Business Administration.

The Small Business Administration is charged with ensuring robust small business participation in federal contracting and the agency consistently seeks ways to improve. From 2015 to 2017, for example, SBA worked with the U.S. Digital Service (USDS) to upgrade its certification systems. According to USDS, four systems were consolidated into one, with over 230,000 documents submitted electronically and a “redirection” of 180 labor hours annually. The USDS also claims that these upgrades led to a threefold increase in participation of women-owned small businesses in federal contracting.¹³

Concerning Trends: Fewer Small Businesses, More Concentration, and Continually Unmet Goals

Even as the federal government has made some process improvements, unevenness in meeting small business procurement goals and a shrinking pool of small businesses in the federal contracting marketplace are cause for significant concern.

Procurement goals. In addition to the 23% overall goal, the government strives to achieve other procurement targets each year. Five percent of contract spending, for example, is supposed to go to small, disadvantaged businesses (SDBs). The same percentage goal (5%) exists for women-owned small businesses (WOSBs). 3%, meanwhile, is meant to be allocated to small businesses located in historically underutilized business zones (HUBZones) and to service-disabled veteran-owned small businesses (SDVOSBs).

The government’s track record in meeting these goals is uneven, with some of these crucial goals missed each year, as shown in the nearby table.

Table 1: Small Business Procurement Goals: Met and Unmet

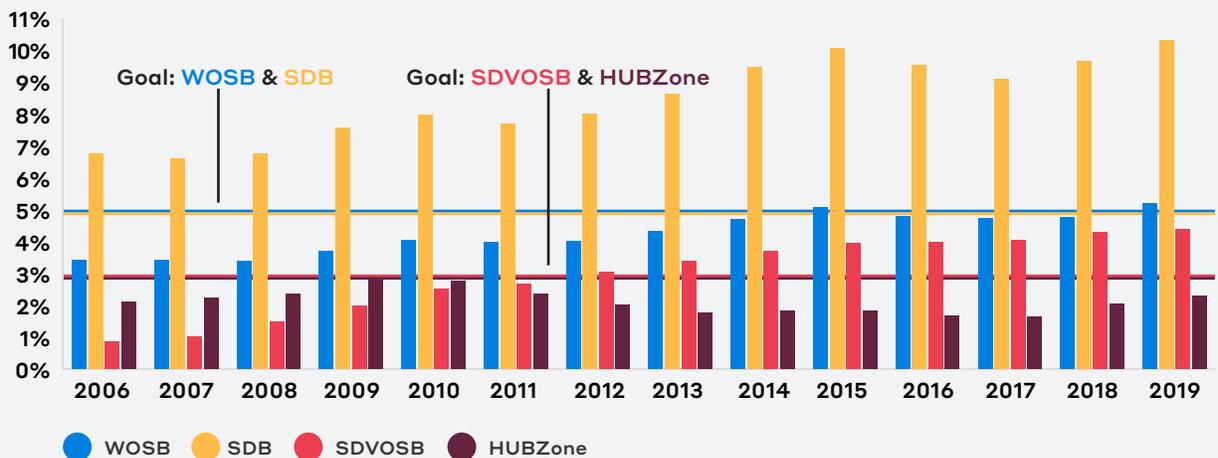
Fiscal Year	Overall	WOSB	SDB	SDVOSB	HUBZone
2019	✓	✓	✓	✓	✗
2018	✓	✗	✓	✓	✗
2017	✓	✗	✓	✓	✗
2016	✓	✗	✓	✓	✗
2015	✓	✓	✓	✓	✗
2014	✓	✗	✓	✓	✗
2013	✓	✗	✓	✓	✗
2012	✗	✗	✓	✓	✗
2011	✗	✗	✓	✗	✗
2010	✗	✗	✓	✗	✗
2009	✗	✗	✓	✗	✗
2008	✗	✗	✓	✗	✗
2007	✗	✗	✓	✗	✗
2006	✗	✗	✓	✗	✗

WOSB: women-owned small business; **SDB:** small, disadvantaged business; **SDVOSB:** service-disabled, veteran-owned small business; **HUBZone:** small business in historically underutilized business zone.

Source: Small Business Administration.

The SDB and SDVOSB goals have been consistently met in recent years.

Figure 2: Federal Government Consistently Meets Procurement Goal for Small Disadvantaged Businesses—But Not Others

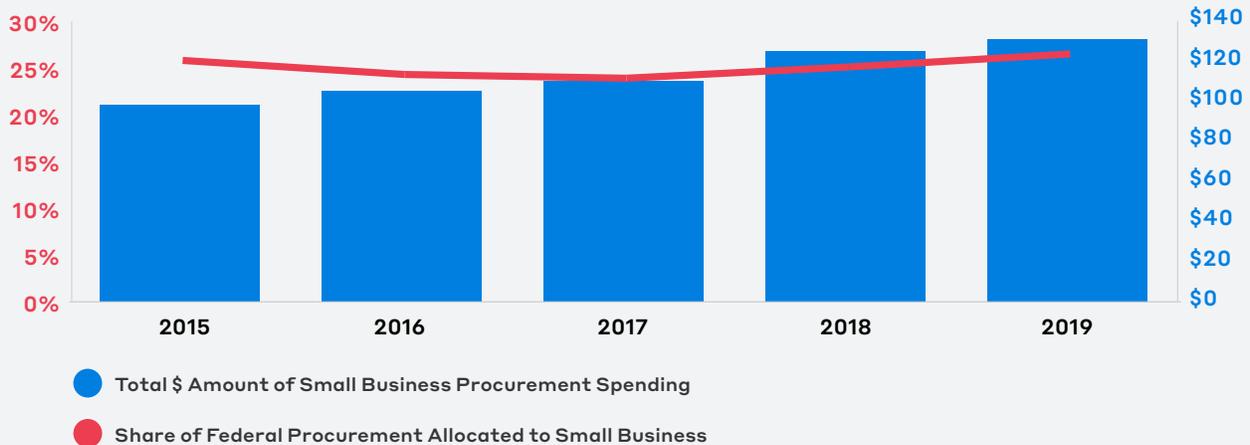


Source: Small Business Administration.

Women small business owners play a crucial role in the economy, but the WOSB goal has only been met twice (2015 and 2019) since it was established in 1994. The HUBZone goal of 3% has never been met. That, says one small business owner, equates to billions of dollars in spending not making it into communities most in need.¹⁴

Rise in overall spending outpaces small business spending. From fiscal years 2015 through 2019, total procurement spending with small businesses rose by one-third—but small business procurement spending did not rise commensurately with total procurement spending.

Figure 3: Small Business Share of Federal Procurement Fairly Steady as Total Spending Rises



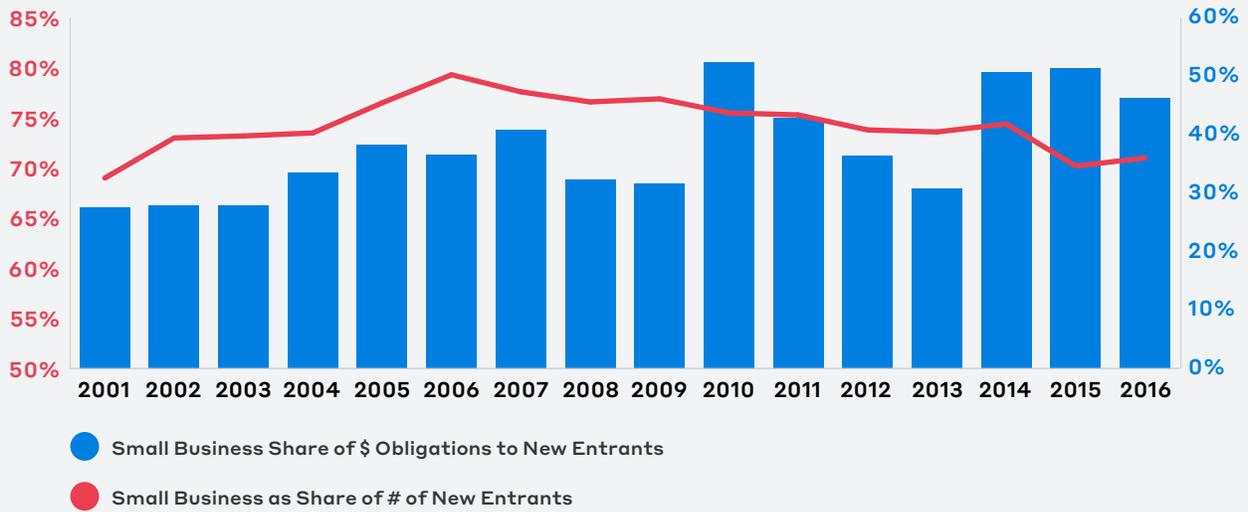
Sources: Small Business Administration; Bloomberg Government.

Shrinking pool of small business contractors. Fewer and fewer small businesses are participating in the federal procurement marketplace. From 2010 to 2019, there was a 38% decline in the number of small businesses providing common products and services to the federal government. This shrinkage has been partly driven by a dramatic drop in the number of new small business entrants into federal contracting. A 2018 analysis by the Center for Strategic and International Studies found a 72% decline from 2005 to 2016.¹⁵ In short, far fewer small businesses are entering the procurement marketplace and securing contracts. If we combine CSIS data with data from the SBA on the most recent year, the number of new small business entrants into federal contracting declined by 79% from 2005 to 2019.

One upshot of these trends is less competition—which is in direct contravention of the original intent of the Small Business Act and the core idea of American economic dynamism. Fewer small businesses are entering the procurement marketplace and the requisite small business allocation must go somewhere, which results in greater concentration. The nearby chart illustrates this.

This is not news to those involved in small business procurement. In 2020, the SBA’s Deputy Director of Government Contracting acknowledged that “the increase in small business dollars obscures that there is less small business opportunity.”¹⁶

Figure 4: Shrinking Competition: Small Business Share of New Entrants Falls, Even as Small Business Share of Contract Dollars Has Risen



Source: Center for Strategic and International Studies, based on Federal Procurement Data System data.

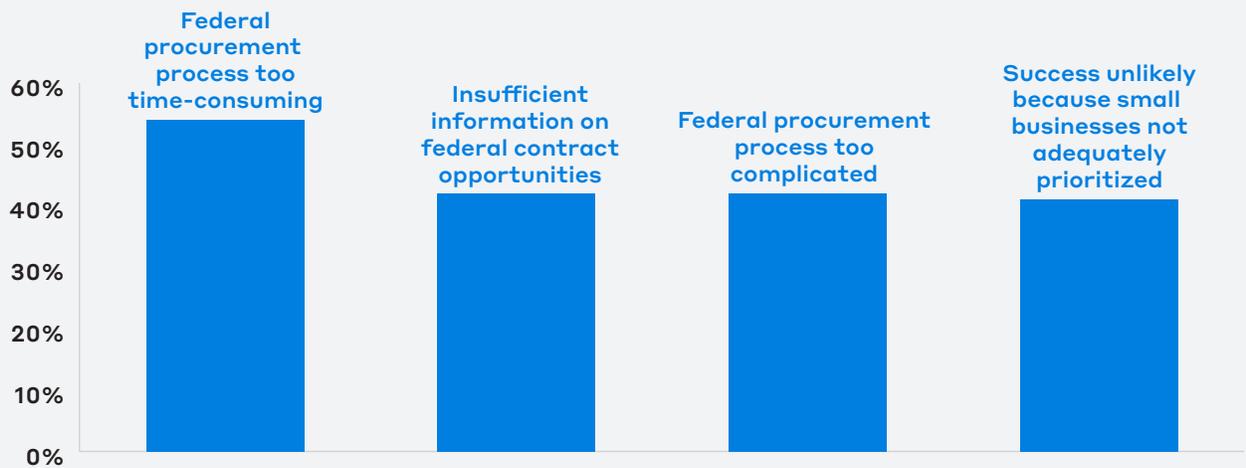
The result, as with the overall shrinking pool of small business participation, is that fewer small businesses win the growing amount of small business contracts. They have, in the words of one expert we spoke to, a “golden ticket.” Once a company holds this “golden ticket,” they become entrenched. They’re more likely to win future contract awards and less likely to exit the procurement marketplace.

Recall former Defense Secretary Mattis’ observation about the importance, for industrial base vitality and national security, of “new entrants and small-scale vendors.” A shrinking pool of small business participation, driven in part by the reduced pipeline of new entrants into the procurement marketplace, translates into less innovation, less diversity, less economic vitality, and diminishing competition.

Opportunities for Improvement: The Barriers and System Flaws Driving These Trends

The dramatic drop in the number of new small business entrants into federal contracting is due in part to the significant barriers to entry. Many small businesses are left on the sidelines given the high cost—in money, time, and resources—to navigate the procurement process. A June 2021 survey by the Goldman Sachs *10,000 Small Businesses Voices* program sheds some light on this. The survey asked small businesses that had applied for state or local—but not federal—government contracts about their reasons for not engaging in federal procurement. Small business owners consistently said the process is too time-consuming and too complicated, that there is not enough information on federal contract opportunities, and that they feel success is unlikely because small businesses are not adequately prioritized (as shown in the nearby chart).

Figure 5: Small Business Reasons for Not Applying for Federal Contracts



Sources: Goldman Sachs *10,000 Small Businesses Voices*.

A significant issue with the current system is that across the small business set-aside programs (discussed above), the dollar value of contracts awarded is often counted against more than one program. It's "double dipping" for federal agencies and prime contractors, one small business owner told us. For instance, if an award is granted, or a subcontract given, to a woman-owned small business in a HUBZone, it is counted toward both goals. This, says another small business owner, "inflates the data reported on small business contracting awards."

Another key drawback, according to small businesses and their advocates, is "category management." Driven by the Office of Management and Budget (OMB) and General Services Administration (GSA), category management began in 2014 and officially came into effect across the federal government in 2016. It succeeded the Federal Strategic Sourcing Initiative, launched in 2005.

Category management is an effort to economize federal purchasing, particularly through contract consolidation, contract bundling, and promulgation of government-wide contracts. Consolidation and bundling of contracts, of course, imply the outright elimination of contracts—often contracts that previously went to small businesses.

On its face, category management is sensible - but in practice, it comes with significant downsides. For example, if the federal government is seeking to buy 100,000 pens for its employees, in some ways it makes more sense to buy them all through one contract from one vendor across all agencies: a government-wide contract. Distributing the 100,000 pens order into 10 orders of 10,000 pens each with 10 different vendors at 10 different agencies would add costs. Category management, according to OMB, saved agencies \$27.3 billion from fiscal years 2017 to 2019.¹⁷

Saving taxpayer dollars is another national priority that has been achieved mostly through elimination of what OMB calls "potentially duplicative contracts."¹⁸ An IBM analysis of category management in the United States as compared to the United Kingdom (which implemented it four years earlier) observed that U.S. category management "relies heavily on contract consolidation."¹⁹ In 2019, OMB reported that category management had reduced the number of "potentially duplicative contracts" by nearly 31,000. It estimated that 5% of those contracts "were designated small business contracts in the federal contract data system."²⁰

Subsequent GAO analysis, however, found that OMB had "overstated" the impact of category management and miscalculated the small business impact. Upon reconsideration of the numbers, GAO concluded that over 53% of the contracts that had been eliminated had previously been won by small businesses."²¹

That's worth restating: of the tens of thousands of contracts eliminated by category management, *over half* had previously been won by small businesses. As one small business owner said at a Senate hearing, "the government-wide push to increase the use of category management leaves small businesses shut out of opportunities to contract across the government."²²

Intriguingly, the IBM analysis of the United Kingdom's experience found that category management is not incompatible with strong, and growing, small business participation in procurement.

From the beginning ... expansion of category management [was] seen not just as a means to buy more effectively and cut costs [but also] as a tool for driving Coalition Government policies, such as increasing government spending with small businesses.²³

Indeed, the category management achievements in the United Kingdom "helped attain the government-wide procurement goal of increase spending with small and medium-size businesses."²⁴

In any case, not all the blame for challenges in small business procurement can be ascribed to category management. Some of the trends displayed above go back a decade before the adoption of category management. What worries small business owners and advocates is that the direction of category management in the U.S. threatens to extend and exacerbate existing concerning trends. It has meant "fewer opportunities for small and socioeconomically disadvantaged businesses. Consolidation and bundling of simpler requirements and placing them on [best-in-class contracts] further erodes the competitiveness of small businesses."²⁵

When it comes to category management, small businesses seek a healthier balance among cost savings and inclusiveness. Efficiency is important, but competition and economic dynamism are diminished when the federal supplier base shrinks and an innovative and vibrant industrial base loses luster when the federal government doesn't contract as much with Mattis' "new entrants and small-scale vendors."

Even the most ardent champions of small businesses recognize that category management is not going away and serves an important national priority in terms of efficient use of taxpayer dollars. What small businesses and their advocates are seeking is a better balance among priorities. The first four years of category management have proven to be effective at the stated aims of saving money and reducing duplicative contracts but have, at the same time, disadvantaged small businesses.

Proposed Solutions: Actions to Advance National Priorities by Supporting Small Business Procurement

Congress has two near-term legislative vehicles through which to make reforms that would expand and strengthen small business participation in federal procurement. In the very near-term, an infrastructure package offers an avenue, in part because billions of dollars in new federal spending on infrastructure would mean new contracting opportunities for small businesses.²⁶ Another opportunity is SBA reauthorization, which has not occurred in two decades but could be tackled in late 2021 or 2022.

Small business procurement is connected to several overarching national priorities, as discussed earlier in this report:

National Priorities

- Competition and economic dynamism
- Innovative and vibrant industrial base
- Resilient supply chains
- Job creation

Looking through the lens of small business procurement, there are several objectives that would help advance these national priorities while supporting small businesses, local communities, and the economy more broadly.

Objectives

- Expand the breadth of small business participation, increase diversity, and reduce entry barriers
- Enhance assistance for small businesses to increase competition
- Improve transparency, accountability, and oversight
- Modernize the 8(a) program
- Make category management work better for small businesses

Improving transparency, accountability, and oversight, for example, would ensure better stewardship of public dollars in procurement obligations. Modernizing the 8(a) program would reduce administrative costs and promote business growth. Enhancing assistance for small businesses—to ensure they maximize their abilities as contractors—would help catalyze more innovation. A series of bipartisan actions could be taken to advance these crucial objectives.

OBJECTIVE

Expand the breadth of small business participation, increase diversity, and reduce barriers to entry

Actions:

Establish specific annual goals for new small business entrants and for the overall volume of small business participation

- **Potential Effects:** Federal agencies have proven their ability to meet overall small business procurement goals—and some more specific goals. Meeting those topline goals with fewer small businesses participating undermines the broader purpose of the goals. In addition to the topline 23% goal, there should be specific goals for the number of small businesses participating in the federal procurement process overall and for the number of new small business entrants.

End double-dipping in small business set-aside programs

- **Potential Effects:** Across the small business set-aside programs—such as for women-owned small businesses (WOSBs), small businesses located in historically underutilized business zones (HUBZones), small disadvantaged businesses (SDBs), and service-disabled veteran-owned small businesses (SDVOSBs)—the dollar value of contracts awarded is often counted against more than one program. Ending “double-dipping” would increase vendor diversity.

Provide the SBA with additional resources specifically dedicated to achieving the women-owned small business and HUBZones set-side goals

- **Potential Effects:** This would create a more inclusive approach to federal procurement, encouraging more small business new entrants and promoting diversity.

Raise the simplified acquisition threshold (SAT) from the current level of \$250,000

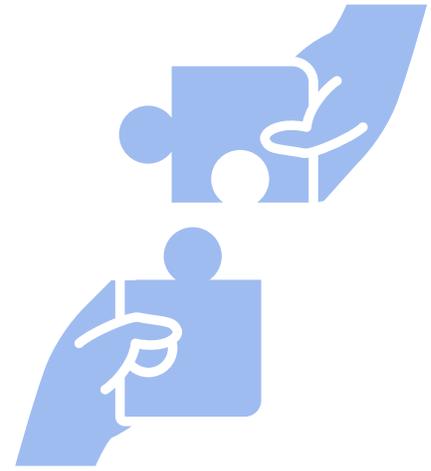
- **Potential Effects:** This would expand the set of contracting opportunities for small businesses, which presently have exclusive access to contracts below the SAT.

Expand what is considered as part of “past performance”

- **Potential Effects:** Small businesses, especially those new to federal procurement, don’t have as much opportunity to build the past performance track record that is factored into contract determinations. Allowing inclusion of private sector performance, for example, would improve more small businesses’ chances to secure federal contracts.

Streamline and simplify all small business certification programs through one centralized system

- **Potential Effects:** Small businesses spend thousands of dollars and hundreds of hours seeking certification as, for example, a women-owned or HUBZone-located small business. Owners describe the certification requirements and processes as “cumbersome” and “expensive.” Across these programs, “you’re just being asked to resubmit the same thing repeatedly.” More small businesses would likely participate in these programs—and taxpayer resources would be economized—if the processes were aligned and streamlined.



OBJECTIVE

Enhance assistance for small businesses to increase competition

Actions:

Incentivize and assist utilization of training ahead of certification for programs such as 8(a)

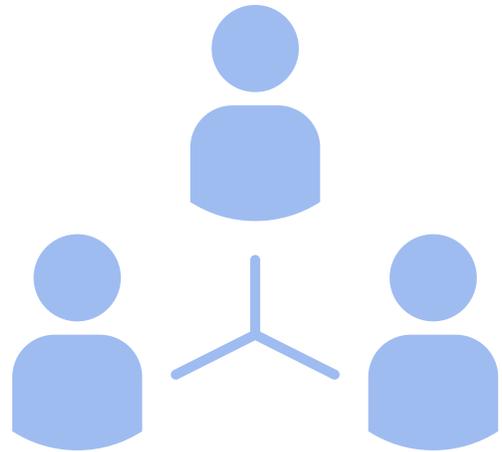
- **Potential Effects:** Many successful small business contractors cite the value of counseling and training in their ability to not only compete for bids but also fulfill contracts. Yet many small businesses attempting to enter the procurement marketplace are unaware of, or unable to access, such resources. Greater use of counseling and training would help ensure that more small businesses understand the process and “have their act together,” as one owner told us, from day one of a contract.

Create dedicated on (new entry) and off (established larger small businesses) ramps

- **Potential Effects:** Small businesses new to the procurement process often need assistance in understanding “procurement 101.” Their success would be improved through greater assistance. On the other end, small businesses that successfully grow as they serve as federal contractors often face difficulties in competing as they “graduate” from procurement programs such as 8(a). Some call this the “contracting cliff.”²⁷ Creating an off-ramp for these growing small businesses would help ensure further economic success.

Lower specific bonding thresholds or strengthen the SBA's Surety Bond Guarantee Program

- **Potential Effects:** Surety bonds boost small businesses' ability to compete for bids and work as subcontractors. The SBA guarantees these bonds, filling a commercial gap for small businesses. Lowering bonding thresholds would open the door for more small businesses to compete for bids.



OBJECTIVE

Improve transparency, accountability, and oversight

Actions:

Increase staffing and resources at SBA and for contracting officers across agencies

- **Potential Effects:** The SBA is currently tasked with monitoring procurement compliance across agencies and assisting small businesses. According to small businesses, SBA lacks capacity and “the teeth” to do these jobs. Greater allocation of resources would improve these activities—and result in greater efficiency with public dollars.

Improve data collection in the electronic subcontracting reporting system (eSRS) regarding prime contractors and subcontractors

- **Potential Effects:** Data on use of small businesses as subcontractors is, as one expert told us, “not very accurate” and “all over the place.” Systems for tracking prime contract dollars are much more robust. Improving data collection on subcontracting, and incentivizing such improvements, would help address concerns many small businesses have about their relationship with prime contractors.

Monitor and enforce payment timeline reforms for prime contractors and their subcontractors

- **Potential Effects:** Federal government efforts such as the QuickPay Initiative help ensure that contractors get paid in timely fashion. Prime contractors, too, are supposed to pay their small business subcontractors quickly. However, many small businesses say this is far from the case and that enforcement is lacking. A recent survey of small businesses by Melio found that over half of small businesses had experienced being paid late.²⁸ Timely payment supports job growth and helps prevent accumulation of debt burdens. The survey also found that nearly half of small businesses had delayed hiring, or seriously considered it, because of late payments.

Enhance the Contractor Performance Assessment Reporting System (CPARS) regarding subcontracting plans and contracting officers

- **Potential Effects:** The CPARS system is described by many as a robust way of collecting performance information on contractors. Improving the ability of small business subcontractors to contribute reporting to CPARS would improve oversight of subcontracting plans. Small businesses would also benefit from a mechanism where contracting companies report about contracting officers. This would help improve responsiveness and accountability.



OBJECTIVE

Modernize the 8(a) program

Actions:

Streamline the certification process at the beginning and for annual renewal

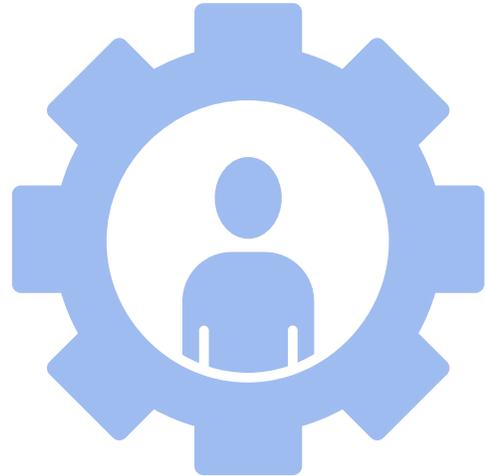
- **Potential Effects:** Small businesses that have achieved 8(a) certification say the processes are unnecessarily burdensome. Automating some criteria checks and making annual renewal easier would mean that small businesses spend more time delivering on contracts. It could also attract more small businesses into the program. As one 8(a)-certified small business owner told us, “the program is supposed to help you grow, so it should be easy to continue eligibility.”

Remove the limitation on mergers and acquisitions—or at least the requirement of SBA Administrator approval

- **Potential Effects:** Small businesses that are 8(a)-certified cannot take certain business actions, such as merging with or acquiring another firm, without express SBA approval. While rooted in valid concerns about program eligibility, this limits the broader point of the 8(a) program: business growth and development. Removing this requirement would encourage more market dynamics among 8(a) businesses.

Increase the sole-source thresholds

- **Potential Effects:** Part of the benefit of becoming 8(a) certified is gaining access to sole-source contract awards. Current levels—\$4.5 million, \$7.5 million for manufacturing—could be raised to encourage the business development aspects of the 8(a) program.



OBJECTIVE

Make category management work better for small business contractors

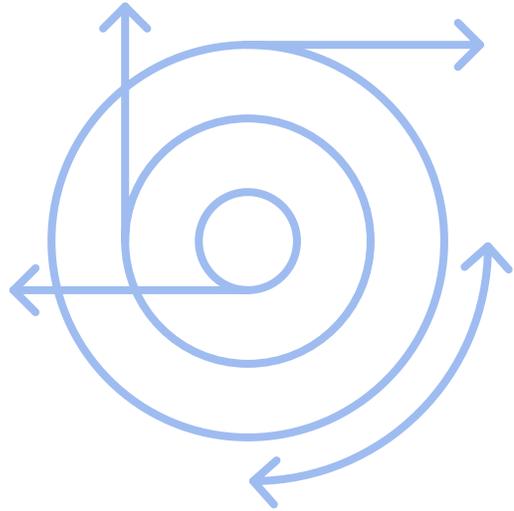
Actions:

Establish a congressional oversight inquiry into category management

- **Potential Effects:** Category management—an effort to economize federal purchasing—was conceived of by the OMB, not adopted by Congress. This means it did not benefit from a full period of congressional rigor, public comment, and stakeholder buy-in. Launching an inquiry now, after five years of the initiative, would help reveal what’s working, where reforms are needed, and how efficiency can be balanced against other priorities in the interests of small businesses.

Create a cross-agency task force to evaluate the small business impact of “best-in-class” and bundled government-wide contracts

- **Potential Effects:** There is no shortage of observations from small businesses about the problematic effects of the government’s increasing use of best-in-class contracts and bundling contracts. Further empirical analysis is needed. An empowered task force across federal agencies would provide insight and direction on how to reform category management to work more in the interests of small businesses. The United Kingdom’s experience demonstrates that this is not a paradox.



Conclusion

Small businesses are the backbone of the nation's economy. They are also a critical element of the federal procurement system - providing goods and services to the federal government each year. Supporting small businesses' involvement in government contracting promotes competition, diversity, job creation, free and open markets, and innovation. Small business contractors also support local communities and help ensure that the country's national security industrial base is vibrant and robust.

Taking action to improve the ability of small businesses to participate in federal procurement would strengthen small businesses, local communities, and the broader economy while improving transparency and accountability.

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Bipartisan Policy Center

1225 Eye St NW, Suite 1000
Washington, DC 20005

bipartisanpolicy.org

202 - 204 - 2400

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