



**U.S. Small Business  
Administration**

**Improving Equity and Inclusion by Better Aligning Small Business Priorities Through  
Category Management and Reducing the Impact of Consolidation and Bundling**

# **Presented By**

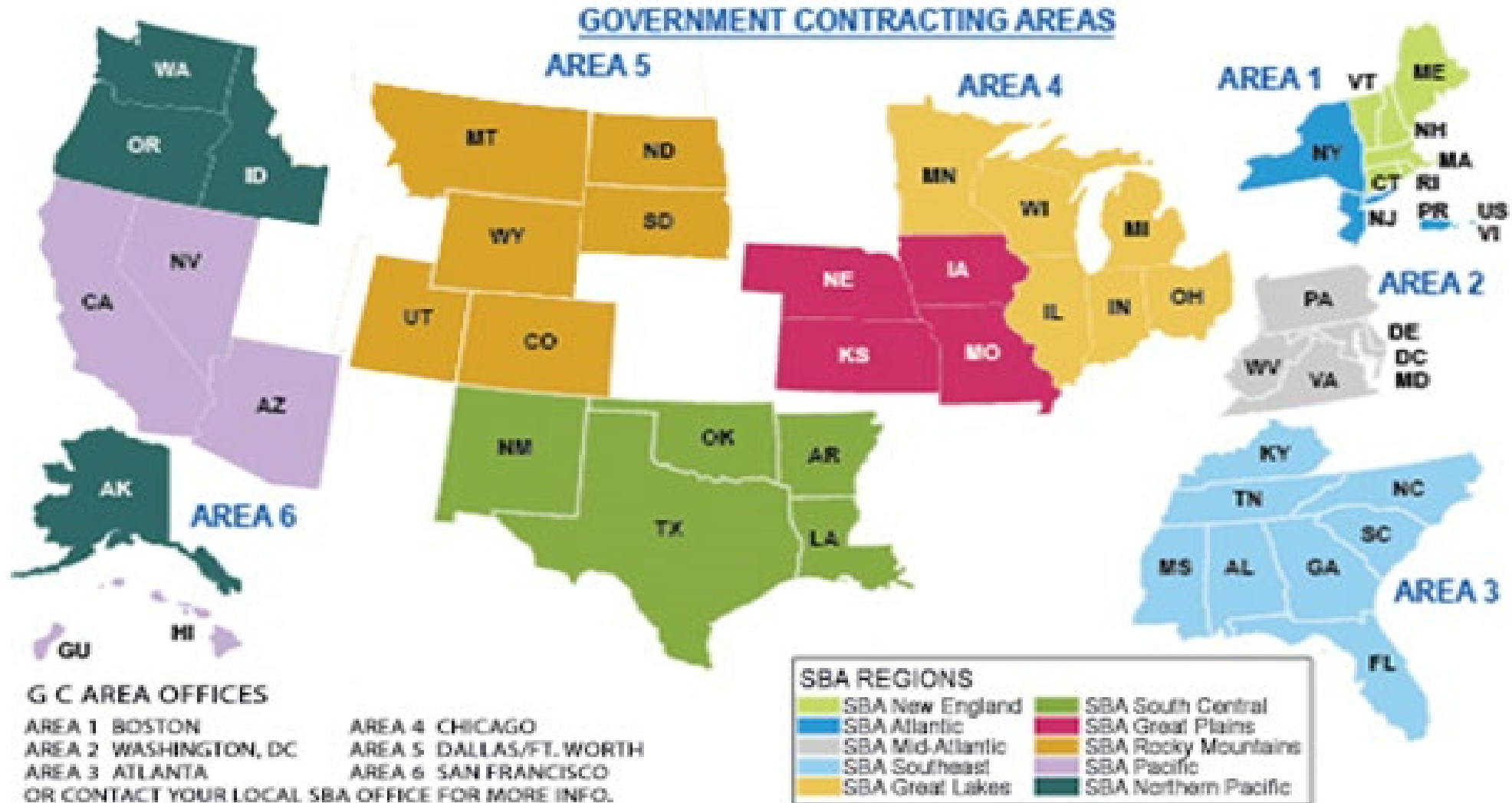
**Wallace D. Sermons II**

**Deputy Director**

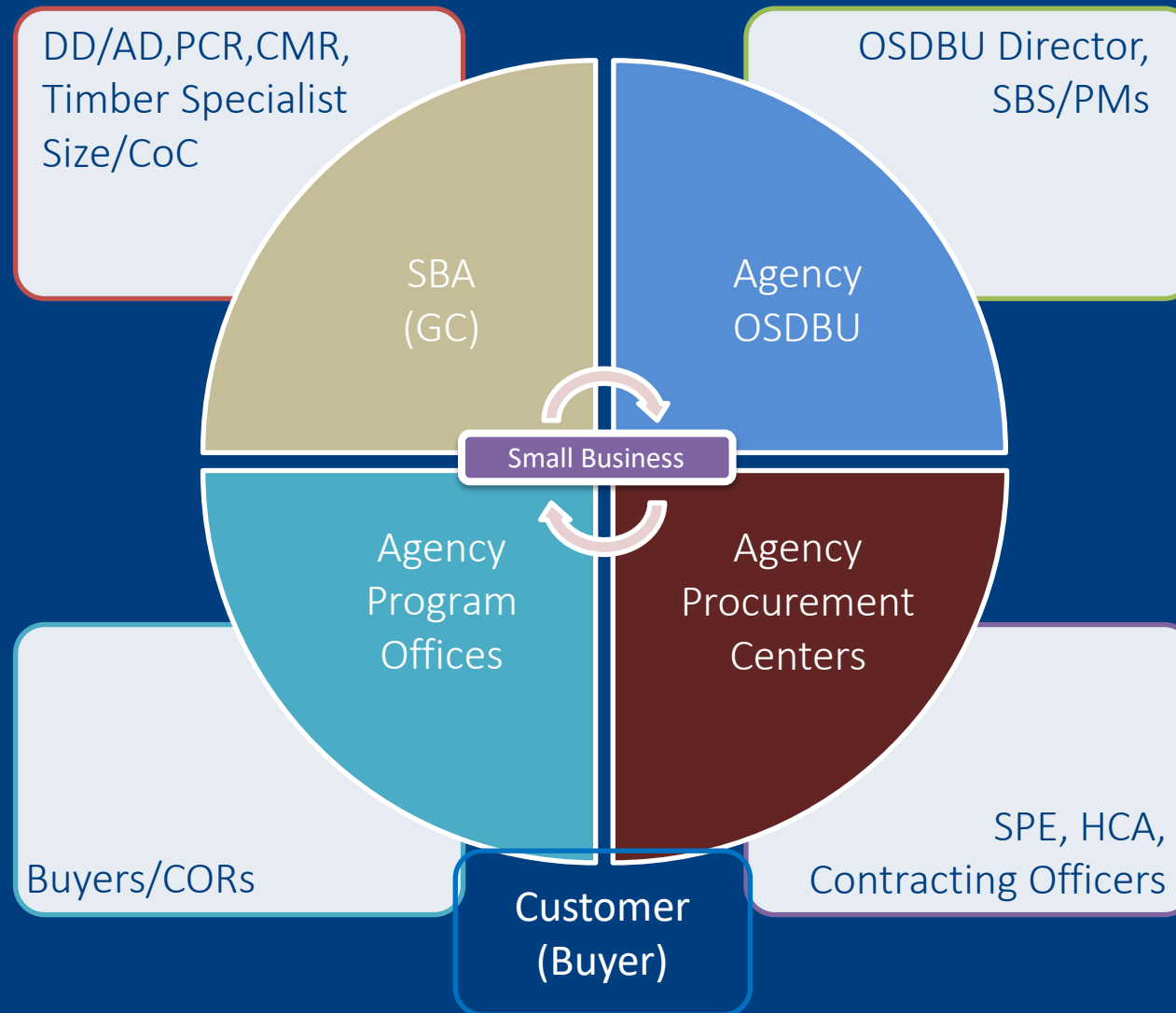
**Office of Government Contracting (GC)**

**U.S. Small Business Administration (SBA)**

# Office of Government Contracting



# Office of Government Contracting in the Acquisition Ecosystem



# Approach to Coverage

## Procurement Centers

Area Office	1	2	3	4	5	6
No of Contracting Activities	178	1,403	400	359	470	500

# Office of Government Contracting Programs

- Prime Contracting Program
- Subcontracting Assistance Program
- Size Program
- Certificate of Competency (COC) Program
- Non-Manufacturer Rule (NMR) Program
- Timber Program
- Women-Owned Small Business (WOSB) Program

# Office of Government Contracting Programs

## Prime Contracting Program

- Procurement Center Representatives (PCRs) are the main component to SBA's Prime Contracting Program. PCRs review federal acquisition and procurement strategies before they're announced, which enables them to influence opportunities that should be set-aside for small business concerns including those in all of the socio-economic categories (8(a) BD/WOSB/EDWOSB/HUBZone/SDVOSB).
- PCRs also help carry out SBA policies and programs; conduct market research; assist small businesses with government contracting issues and provide counseling on the federal government contracting process.

## Subcontracting Assistance Program

- SBA's Subcontracting Assistance Program ensures that domestic small business concerns receive maximum practicable opportunity to compete for and receive subcontracts from other-than-small businesses that have Federal prime contracts.
- This is primarily accomplished by SBA's Commercial Market Representatives (CMRs) conducting compliance reviews to ensure that other-than-small businesses are meeting their small business socio-economic goals and the other elements contained within their small business subcontracting plans.

# Office of Government Contracting Programs

## (Continued)

### Size Program

- SBA's Size Program ensures that only legitimate small business concerns receive federal contracts that are set-aside for small businesses and that only small business concerns participate in SBA's programs, i.e., Certificate of Competency (COC), Small Business Innovation Research/Small Business Technology Transfer (SBIR/STTR), financial assistance (i.e., SBA loans).
- SBA's GC Area Directors issue formal size determinations when an apparent successful contractor's size is challenged by an unsuccessful offeror or another interested party, or when an SBA program office requests a size determination as a component of a firm's eligibility.
- Size determinations may be appealed to SBA's Office of Hearing and Appeals (OHA).

### Certificate of Competency Program

- SBA's COC Program assists small firms to qualify for specific federal contracts. The program allows a small business concern to appeal a contracting officer's determination that it is unable to fulfill the requirements of a specific government procurement on which it is otherwise in line to receive.
- SBA will perform an independent assessment, review the circumstances, and determine if the applicant is responsible to perform on the contract.
- If SBA finds the firm "Competent", the SBA GC Area Director will issue a COC on behalf of the contractor to the contracting officer.



# Office of Government Contracting Programs

## (Continued)

### **Non-Manufacturer Rule (NMR) Program**

The NMR Program affords small businesses an opportunity to engage in federal contracting as resellers or distributors when no small business manufacturer exists for a specific item. Class waivers are listed on the SBA website and apply to a class of products. Individual waivers are issued at the request of a contracting officer for a specific procurement.

### **Timber Program**

- SBA and other federal agencies (e.g., U.S. Forest Service and Bureau of Land Management) jointly set-aside timber sales for bidding exclusively by small businesses when they wouldn't otherwise get a fair share under open sales.
- A portion of set-aside timber sales must go to small business manufacturers, i.e., sawmills.

# Office of Government Contracting Programs

## (Continued)

### Women-Owned Small Business (WOSB) Program

The Small Business Act authorizes certain procurement mechanisms to ensure that WOSBs have an equal opportunity to participate in federal contracting. The WOSB Program was established to help provide a level playing field for women business owners and the government limits competition for certain contracts to businesses that participate in the program. These contracts are for specific industries where WOSBs are underrepresented. Some contracts are restricted further to economically disadvantaged women-owned small businesses (EDWOSBs). SBA maintains a list of those eligible industries and their NAICS codes.

In October 2020, SBA launched the new formal certification process firm's seeking to participate in the WOSB Federal Contracting Program. Self-certification is no longer valid. Firms may apply for FREE at <https://beta.certify.sba.gov>. They may continue to use a Third-Party Certifier, at a cost. The four organizations approved by SBA to provide third-party certification are:

- El Paso Hispanic Chamber of Commerce
- National Women Business Owners Corporation
- U.S. Women's Chamber of Commerce
- Women's Business Enterprise National Council

# **Small Business as a Priority**

# Small Businesses Make Up 99.9 Percent of All U.S. Businesses

In Fiscal Year (FY) 2021, small businesses made up 73 percent of all companies that did business with DoD and 77 percent of the research and development companies that did business with DoD.

One high-profile example is Moderna, a former small business and Defense Advanced Research Projects Agency grant recipient that produced millions of mRNA vaccines to help fight the COVID-19 global pandemic.

Without small businesses, the vital engine of growth for the United States industrial base would cease to exist.

# Senior Leadership Messaging

“Reducing barriers and creating more opportunities for small businesses will allow us to expand, innovate, and diversify, increasing our warfighter advantage, strengthening our supply chains, increasing competition in our marketplace, and growing our economy here at home.”

-Deputy Secretary of Defense Dr. Kathleen Hicks

# Senior Leadership Messaging

“Fostering a resilient and robust industrial base is one of my top priorities.”

“Supporting small businesses is not just about meeting a goal or checking a box; it’s about building advantages for our warfighters. All of American industry, especially our innovative small businesses, has a role in developing, delivering, and sustaining the critical capabilities that are required to further implement the National Defense Strategy.”

-Dr. William LaPlante, Under Secretary of Defense for Acquisition and Sustainment

# Small Businesses Make Up 99.9 Percent of All U.S. Businesses

“Small businesses are crucial to national security”

“Our military depends on small businesses that bring innovation and agility to support DoD’s mission. From providing critical component parts, to cutting edge software platforms, to essential services, small businesses provide support across nearly the entirety of the Department of Defense.”

-DOD OSDBU Director Farooq Mitha added.

# The Big Picture

Recent Administration priorities signify a deepened federal stance on the promotion of small business participation in federal procurements.

These efforts include:

- an increase in the SDB goal (12 percent for FY 2023);
- a review and adjustment of category management stewardship practices; and
- an emphasis on increasing the small business industrial base.

Driving Stronger Outcomes:

- Supporting the growth of the small business industrial base.
- Increasing small business competition and racial equity.



# Office of Government Contracting Operational Priorities

- Increase in SDB and WOSB utilization (along w/ other socioeconomic categories);
- Decrease in contract consolidation and bundling;
- Expansion of new entrants into the federal marketplace; and
- Diversification of geographic areas receiving federal contract awards.

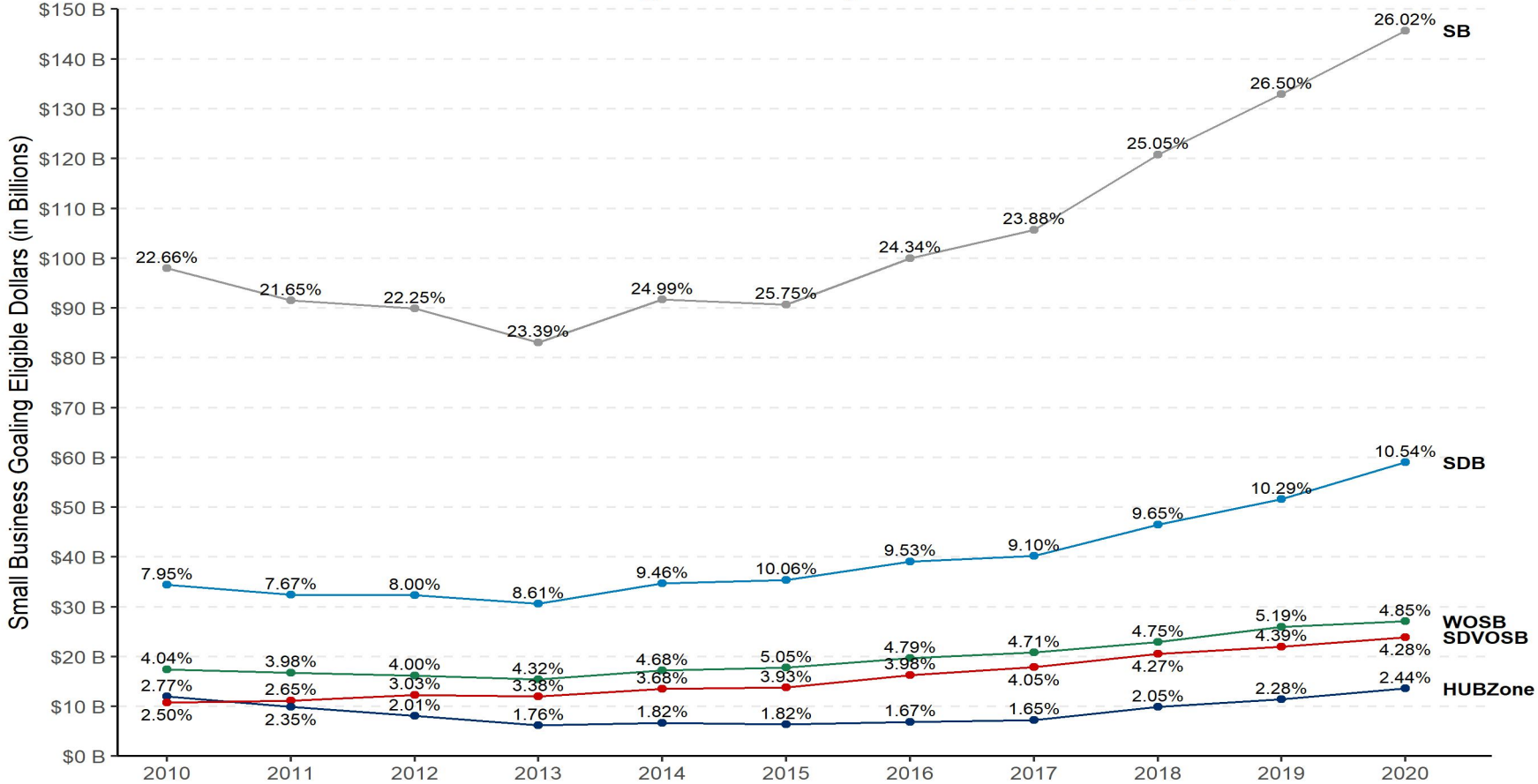
# **Expansion of New Entrants into the Federal Marketplace**

# Small Business Set-Aside Programs are Growing

**Contracts up to \$50 Billion**

**Exceeded the 23% Goal 9 Straight Years**

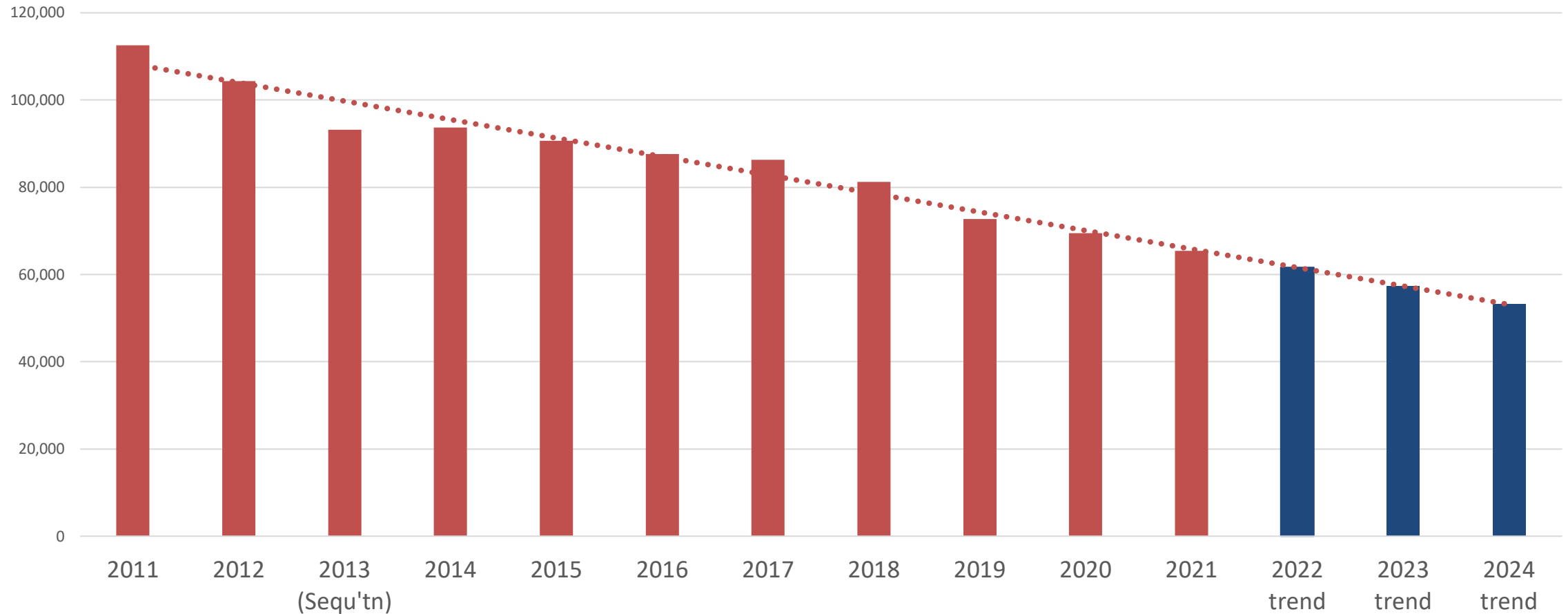
**Federal Contracting Utilization by Small Business Category**



**How could there be any concerns?**

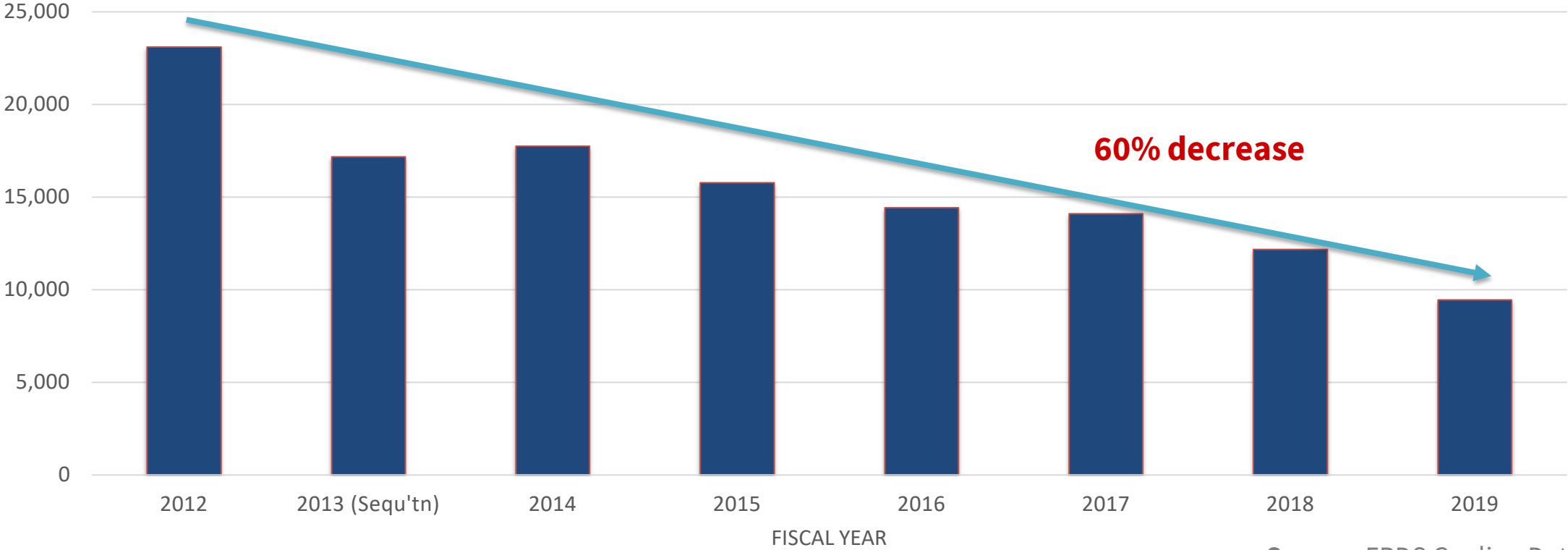
# Declining Small Business Industrial Base

*Number of participating small businesses trending to a 50% decline by FY 2024*



# Challenge: New Entry Has Dropped Over 60%

## Number of new entrant small businesses



Source: FPDS Goaling Data

# Increasing Participation of New and Recent Entrants

See OMB's new  
[Supplier Base Dashboard](#)



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

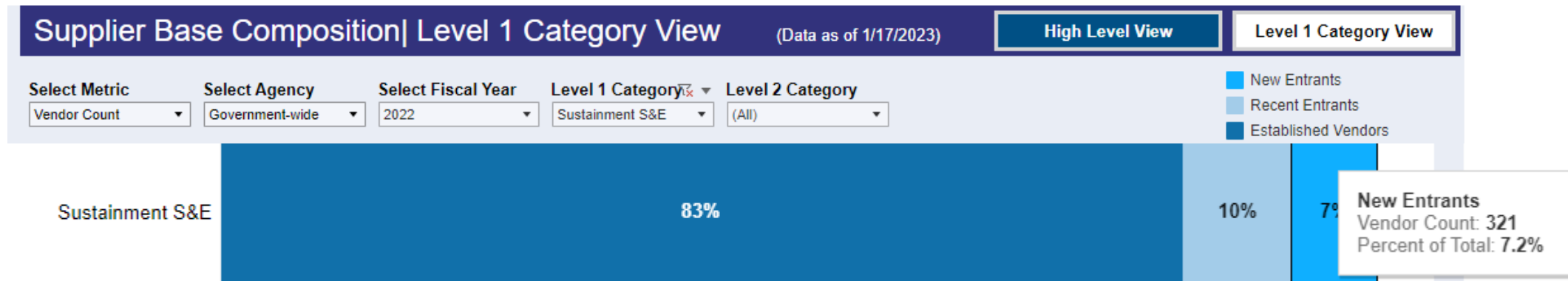
February 17, 2023

M-23-11

MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

FROM: Jason S. Miller  
Deputy Director for Management

SUBJECT: Creating a More Diverse and Resilient Federal Marketplace through Increased Participation of **New and Recent Entrants**



Pre-Decisional and Deliberative Not for Public Release

# **Decrease Contract Consolidation and Bundling**



# Bundled Contracts

Section 3 of the [Small Business Act, 15 U.S.C. § 632\(o\)\(1\)](#), defines “bundled contract” as “a contract that is entered into to meet requirements that are consolidated in a bundling of contract requirements.”

Similarly, [15 U.S.C. § 632\(o\)\(2\)](#) defines “bundling” as “Consolidating two or more procurement requirements for goods or services previously provided or performed under separate smaller contracts into a solicitation of offers for a single contract that is likely to be unsuitable for award to a small business concern due to:

- (A) The diversity, size, or specialized nature of the elements of the performance specified;
- (B) The aggregate dollar value of the anticipated award;
- (C) The geographical dispersion of the contract performance sites; or
- (D) Any combination of the factors described in subparagraphs (A), (B) and (C).”

# Consolidation and Bundling Restrictions

**Both specifically apply to task orders.**

**Consolidation** – A solicitation for a **single** contract or order to satisfy multiple agency requirements previously lower in cost.

**Bundling** – Consolidating multiple requirements **performed by small business** (or suitable for small business) into a single contract or order likely to be **unsuitable for award to small business**.

- Must be justified by benefits
- Must notify the public for consolidation, substantial bundling
- Must consult with PCR at least 30 days prior to solicitation

## FY 2020

In FY 2020 alone, \$63.5 billion in contract awards were bundled by federal agencies, displacing more than 1,600 small businesses from contract opportunities.

That same year, the total number of small businesses receiving federal awards declined by 3,220 firms, meaning that at least 50 percent of the drop in small business contractors can be directly tied to bundling decisions made by contracting officers at federal agencies.

Over the life of those contracts, SBA estimates that American small businesses will have lost the opportunity to create and/or sustain roughly 60,000 quality jobs because of a single year's bundling—a steep cost in the name of efficiency.

# FY 2022 Bundled Contract Dollars

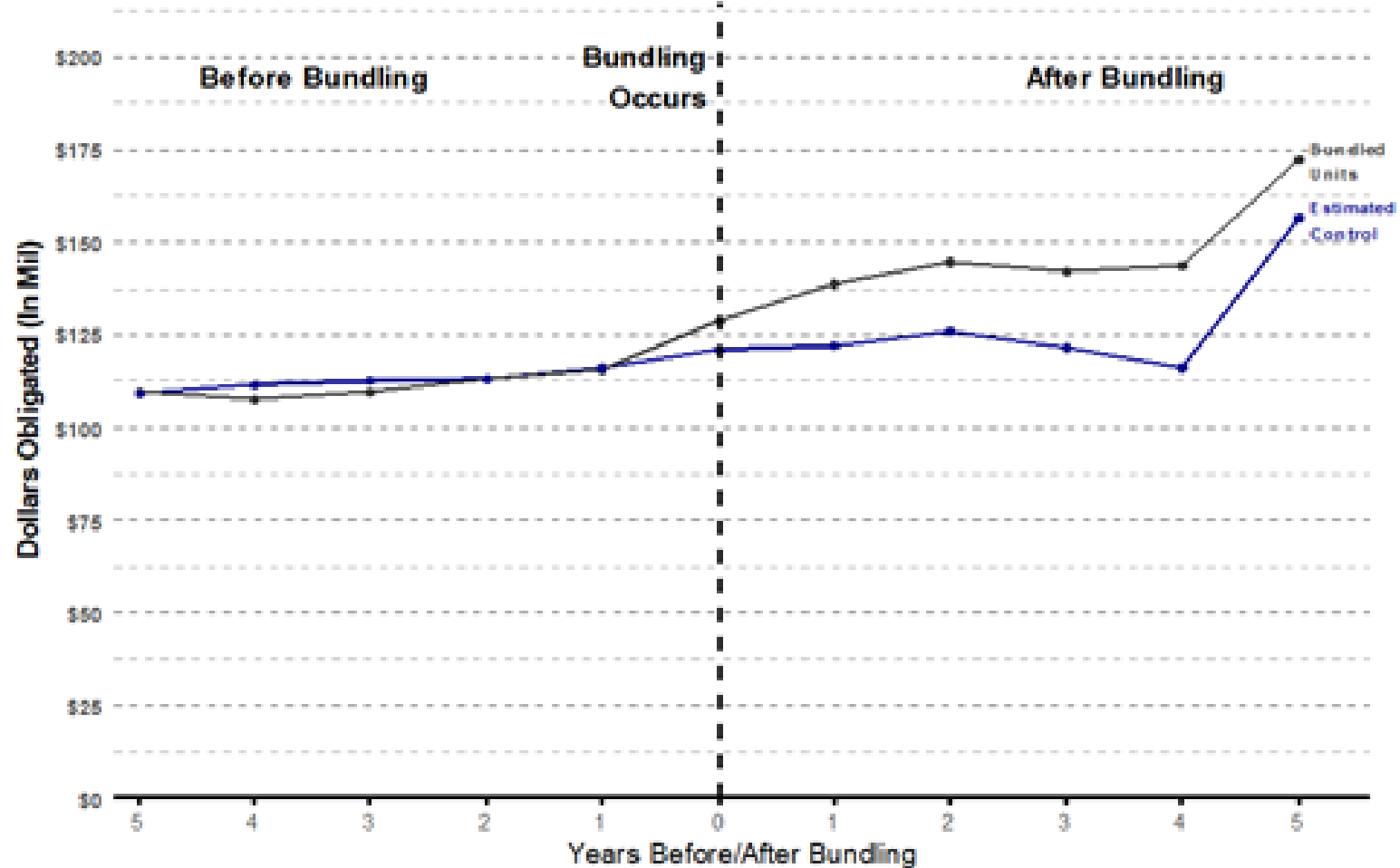
[SAM.gov](https://sam.gov) reports that the total ultimate contract value (including options) of newly awarded bundled contracts and newly awarded bundled orders in FY 2022 was \$20.4B (\$20,484,180,610).

Note: In FY 2021, this number was only \$6.5B.

# 5 Years Later

## FY 2027 Projected Bundled Contracts Dollars

Figure 1: Average Dollars Obligated by Bundled Units Compared to Average Estimated Dollars Obligated Had Bundling Not Occurred



# Federal Contract Bundling

## Effects on Small Disadvantaged Businesses

- Bundling has the potential to increase the efficiency of contract spending.
- Consolidating many contracts into a single overarching contract vehicle can eliminate redundant or similar solicitations, lowering human capital costs for both the government and vendors.

### *Effect of a 100% Increase in Bundling on Contract Spending with SDBs*

<i>Type of Firm</i>	<i>Marginal Effect</i>
Small Disadvantaged	-3.2%
Woman-Owned Small	-3.3%
Service-Disabled Veteran-Owned	-1.1%
HUBZone	-1.1%
SBA 8(a)	-1.4%
Black-Owned	-1.8%
AAPI-Owned	-1.4%
Hispanic-Owned	-0.4%
ANC	-1.4%

# Bundling Solutions

- Market research
- Improve outreach efforts and increase direct contact between contracting officers/program officials and new small and socio-economic business entrants to the federal marketplace
- Conduct technical demonstrations
- Keeping a constant eye on Indefinite Delivery Indefinite Quantity on- and off-ramps

Work with your agency's OSDBU to:

- (1) identify proposed solicitations that involve bundling;
- (2) facilitate small business participation as prime contractors; and
- (3) facilitate small business participation as subcontractors and suppliers where participation by small business concerns as prime contractors is limited.

# Bundling Solutions

## (Continued)

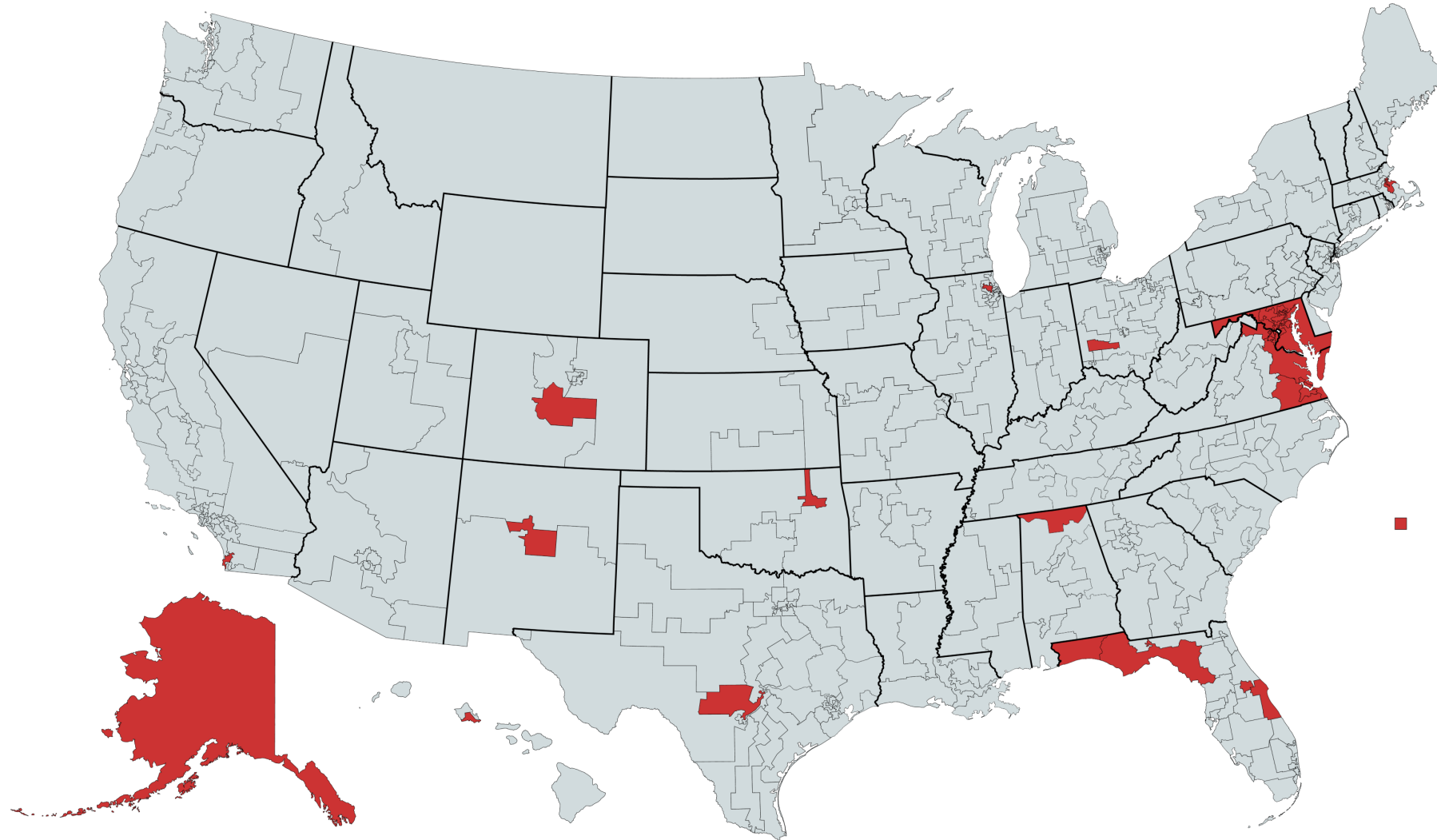
Engage early in the acquisition process with the agency's OSDBU and SBA's assigned PCR to identify barriers to access and to craft acquisition strategies to maximize opportunities for small business participation. In addition, any release of 8(a) contracts should be paired with new 8(a) opportunities at a commensurate level.

Track the outcome of bundled contracts. Congress requires that the government track the cost savings realized through bundling over the life of the contract. In some cases, however, bundled contracts cost more over time because lessened competition results in higher prices to the agency or a reduced level of service.



**Diversification of  
Geographic Areas Receiving  
Federal Contract Awards**

# Geographic Concentration Rising: Over 50% of Small Business Dollars Go to 35 Congressional Districts



Created with mapchart.net



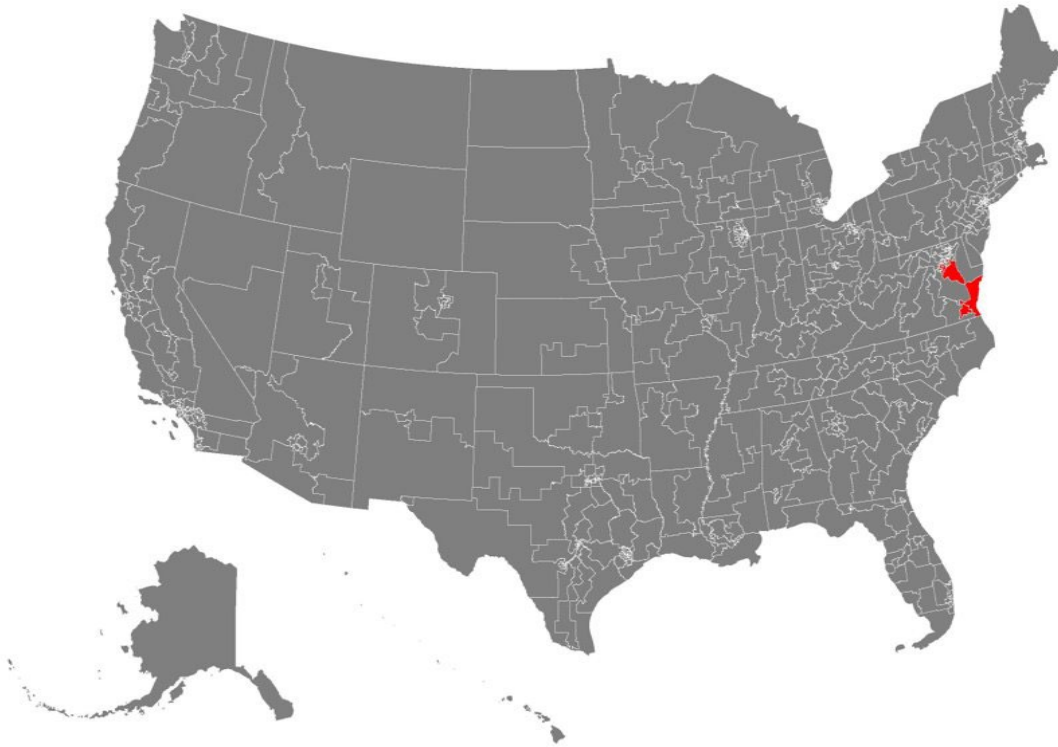


# Navy Small Business Dollars Geographic Concentration 25-40%



## A Glance at **25%** of Navy Spend

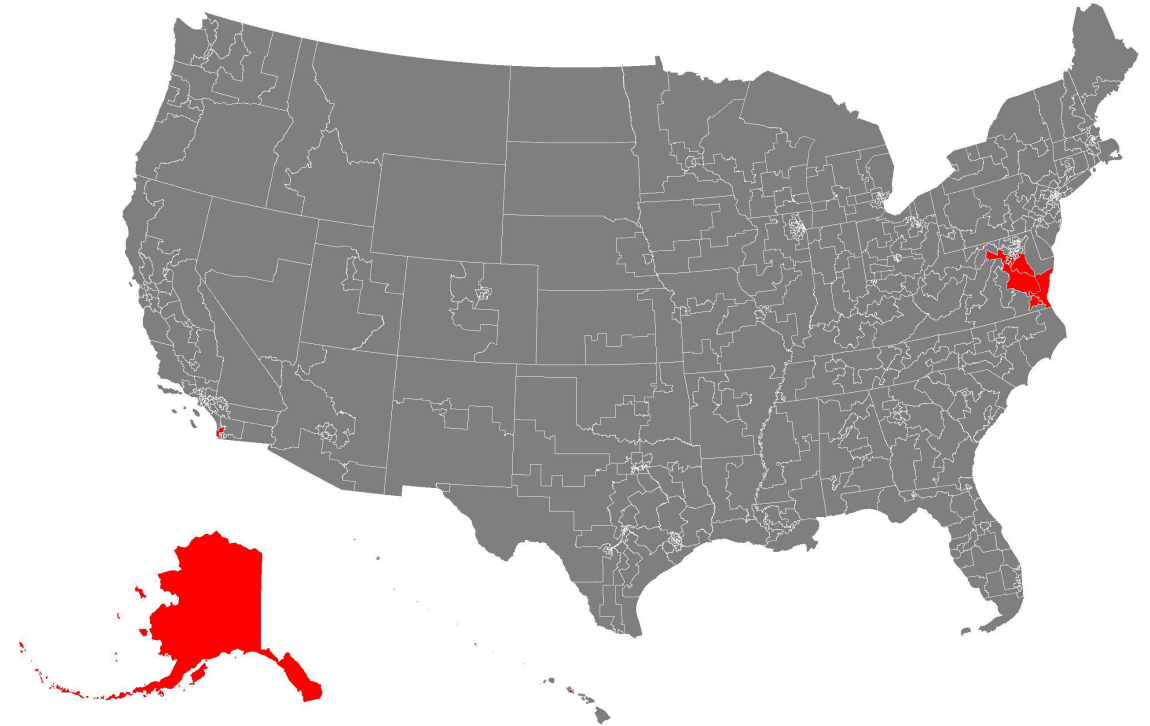
Over 25% of FY21 Department of the Navy Obligations to Small Businesses Went to 5 Congressional Districts



Data From Small Business Goaling Report Data FY21

## A Glance at **40%** of Navy Spend

Over 40% of FY21 Department of the Navy Obligations to Small Businesses Went to 10 Congressional Districts



Data From Small Business Goaling Report Data FY21

# **Small Business and Category Management**

# What is Category Management?

**Category Management: Buying smarter for those common goods and services that everyone buys.** Examples include office supplies, travel and lodging, housekeeping services, and more.

For the **government**, this means buying like an enterprise, to get more value and savings via:

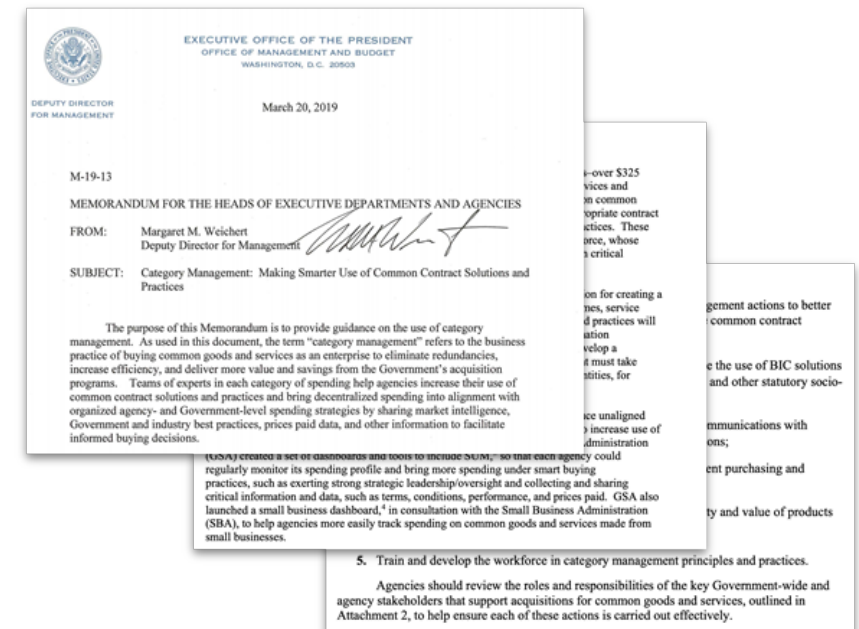
- Identifying core areas - categories - of spend
- Using data to consolidate and reduce contracts when possible
- Better managing suppliers and demand
- Reducing the total cost of ownership

[Category Management | Acquisition Gateway](#)

# OMB MEMO M-19-13 (March 2019)

## Established Category Management (CM) as a practice across the entire Federal Government.

- Organizes “common” spend into 10 govt.-wide categories (using NAICS/PSCs)
- Creates a contracts/solutions inventory, for improved government data-sharing
- Encourages well-managed spend (spend under management) while recognizing small business considerations
- Develops agency-specific small business policy
- Clarifies CM roles for SBA, OSDBUGs and others
- Directs agencies to set CM goals and a small business strategy in
- Coordination with OSDBUG and agency leadership



Category Management: Making Smarter Use of Common Contract Solutions and Practices - ([OMB Memorandum M-19-13](#)) (Issued March 20, 2019)

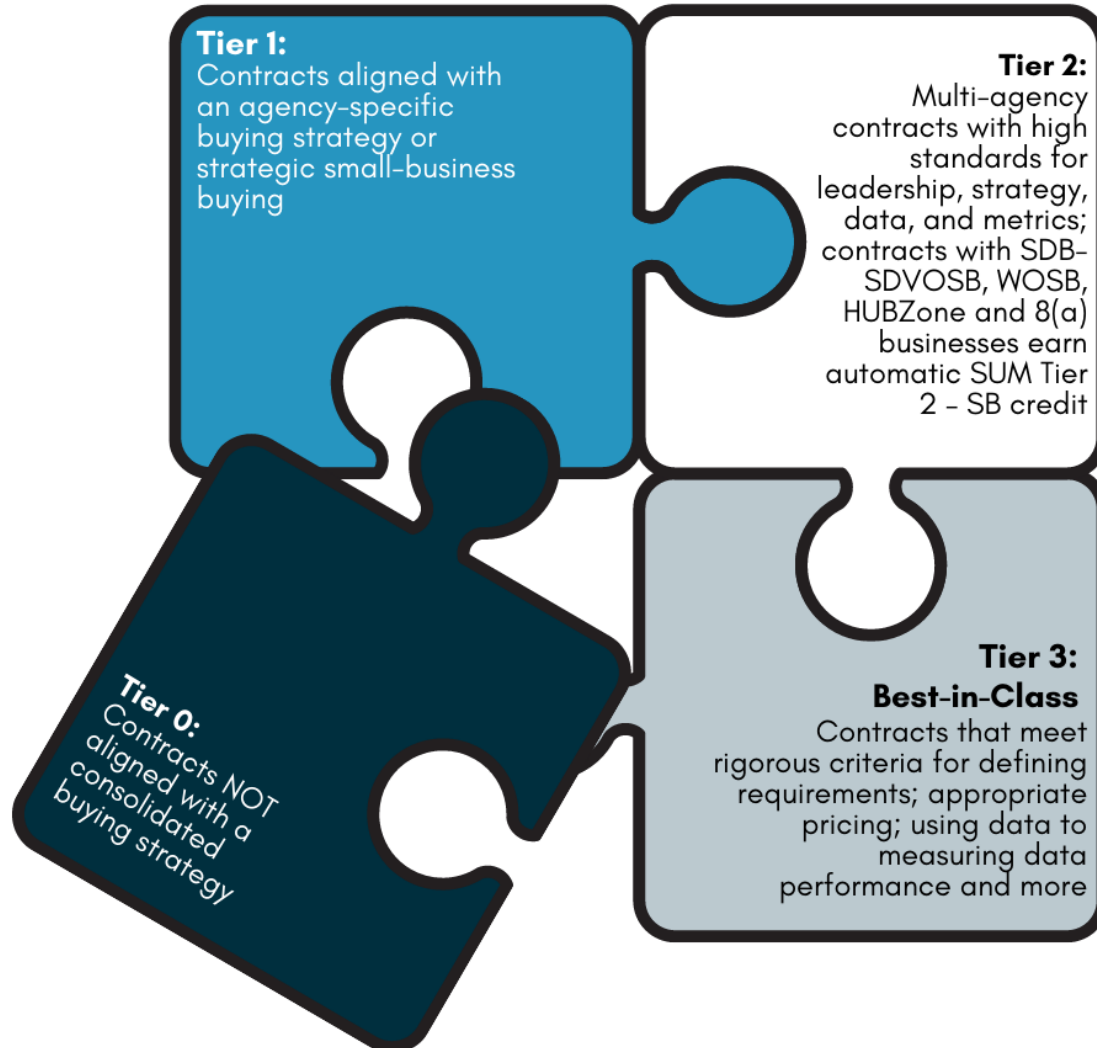


# Govt-wide CM Key Performance Indicators (KPIs)

KPI Name	Description
<b>Spend Under Management (SUM)</b>	Measure progress as a percentage of overall obligations in the same fiscal year (vs dollars); SDB- SDVOSB, WOSB, HUBZone and 8(a) businesses will earn automatic SUM Tier 2 – SB credit
<b>Best-in-Class (BIC) Obligations</b>	Measure progress as a percentage of overall obligations in the same fiscal year; this is a shift from prior-year measurements in dollars
<b>Tier-0 Contract Reduction</b>	Retired at end-of-year FY 2021, to improve focus on increasing small business participation in SUM & harmonizing CM and small business goaling
<b>Pilot Measure - Reduction in Duplicative Contracts</b>	Pilot to measure duplicative contracts with the same contractor – and evaluate best way to reduce, but no targets set during pilot
<b>SB Utilization</b>	Percentage of total dollars obligated to small businesses; measured as a ratio of obligated to eligible
<b>Training</b>	The number of federal employees trained in the aspects and components of CM.



# Measuring Category Management Using Spend Under Management (SUM)



Agencies receive SUM targets each year and are evaluated on the percentage of total common spend actively managed according to CM principles.

Source: [OMB, Acquisition Gateway](#)

# **Harmonizing Small Business Contracting and CM Principles**

# Set-Aside for Certification Programs and Socio-Economic Categories

Targeted acquisition goals (set-asides):

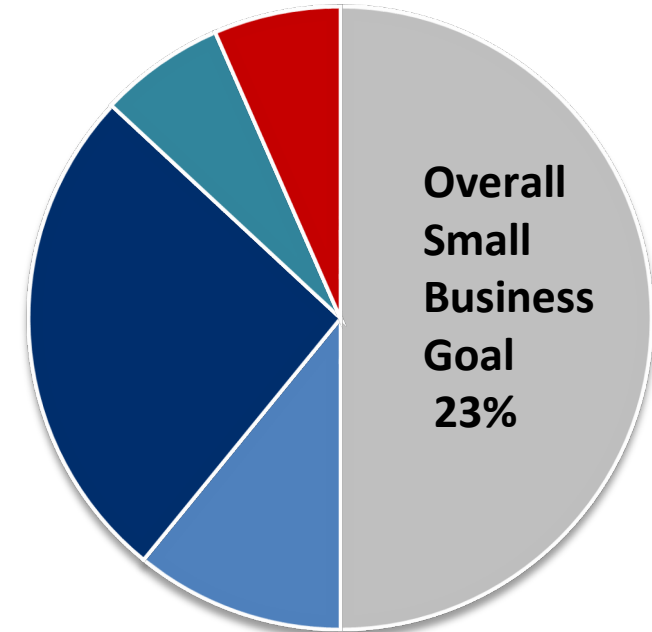
**Women-Owned Small Businesses  
(including EDWOSB) (5%)**

**Small Disadvantaged Businesses  
(including 8(a)) (12% for FY 2023)**

**HUBZone Businesses (3%)**

**Service-Disabled Veteran-Owned  
Small Businesses (3%)**

Set-asides are reserved for small business between \$10,000 (Micro purchase Threshold) to \$250,000 (Simplified Acquisition Threshold)



Overall SB' WOSB SDB HUBZone SDVOSB

# Legal Obligations

# What Small Business Legal Obligations Apply to Category Management?

**Short answer:** All the normal requirements!

- Category Management does not waive existing small business requirements

**Long answer:**

- Consolidation and bundling
- PCR review
- 8(a) release requirement
- Rule of Two (with a few exceptions)

**...plus some small business legal flexibilities to explore:**

- SBIR/STTR Phase III sole-source authority
- 8(a) sole-source authority

# OMB Memorandum M-22-03:

## Advancing Equity in Procurement (12/2/21)

### Implementing Executive Order 13985

- Raises governmentwide SDB contracting goal to 11% for FY 2022, on the way to 15% by FY 2025.
- Implements major changes to Category Management.
  - Automatic Tier 2 credit for socioeconomic small businesses (SDB, WOSB, HUBZone, SDVOSB)
  - Reinforced importance of small business goal achievements
  - Solidifies SBA and Dept. of Commerce as voting members on the Category Management Leadership Council
- Seeks to increase new entrants and reverse the decline in the small business supplier base.
- Makes federal senior managers accountable for small business contracting goals.
- Ensures OSDBUs have access to senior leadership

# **SUM Contracts/Solutions**

# SUM Contracts/Solutions

## Examples:

OASIS, Unrestricted

OASIS SB, 100% SB Set-Aside (SBSA)

OASIS 8(a)

NASA SEWP (541519)

Group B1 HUBZone

Group B2 SDVOSB

Group C SBSA

Group D Unrestricted

GSA 2GIT, IT Hardware & Ancillary services, BPAs

NETCENTS

ARMY CHESS, Commercial IT

Visit [BIC Solutions](#) on the Acquisition Gateway for a current list of govt.-wide BIC solutions by category.



# Rule of Two Category Management Case Study

## The Tolliver Group (Court of Federal Claims)

1. The Army's Fort Sill canceled a GSA Schedule SDVOSB set-aside for training services.
2. Instead of setting aside the requirement, Army competed among large businesses on a non-set-aside multiple-award IDIQ contract.

### **Result: Agency must apply the Rule of Two.**

“In sum, the government’s failure to apply the Rule of Two prior to deciding to cancel the solicitations at issue is fatal to that decision, whether because that failure undermines the central rationale of the cancellation decision or whether because the decision to move the work to the TMS MAIDIQ prior to conducting a Rule of Two analysis constitutes an independent violation of law.”

Case No. 20-1108C

**Increasing Small Business  
Participation  
Through Subcontracting**

# Subcontracting Requirements

- Small business participation as a subcontractor stems from [Section \(8\)\(d\) of the Small Business Act](#).
- The Act requires that small businesses are afforded a “maximum practicable opportunity” to participate as subcontractors.
- SBA ensures that small businesses receive these opportunities through its [Small Business Subcontracting Assistance Program](#).

# Category Management Encourages Subcontracting

Some multi-agency or government-wide procurements may be too large, complex, or multi-disciplined for small businesses to participate as prime contractors.

Subcontracting allows small businesses to continue to have a role in the successful performance of the overall contract.

Subcontracting includes any agreement that calls for supplies or services required for performance of the contract or a subcontract.

Subcontracting opportunities can exist through several subcontracting tiers.

# Small Business Subcontracting Plans

## Five Steps:

1. Determine if the requirement meets the subcontracting plan regulatory requirements
2. Determine if the requirement has subcontracting possibilities
3. Determine the subcontracting goals for the solicitation
4. Determine the evaluations factors
5. Negotiate the Subcontracting Goals

# Subcontracting Plan - Order-Level Goals

**Subcontracting plan** goals for small businesses and socioeconomic groups are established in the contract with the awarding agency. All contracts can have only one subcontracting plan.

However, in multiple-award IDIQ contracts (such as those used in Category Management), an agency awarding a task order against a multiple-award IDIQ contract may require order-level goals.

[FAR 19.705-1\(b\)\(2\)](#): Contracting officers placing orders may establish small business subcontracting goals for each order. Establishing goals shall not be in the form of a new subcontracting plan as a contract may not have more than one plan (19.705-2(e)).

More opportunities exist for small business subcontractors at the task-order level than at the contract level.

Requiring order-level goals for an IDIQ contract emphasizes to the contractor that small business participation for the order is important and expected.

# Subcontracting Plan - Order-Level Goals (Continued)

**Subcontracting Plan is required in the overarching contract**  
(i.e., GWAC contract #XYZ with GSA)



**Order Level Goals can be required with orders placed against contract #XYZ**



Order-level goals do not replace the contract's overarching subcontracting plan and goals

# Other Notable Actions to Take

**Engage early-on in the acquisition process** with the agency's OSBDU/OSBP and SBA's assigned PCRs. Both resource partners can assist in identifying barriers to access and assist in crafting acquisition strategies to maximize opportunities for small business participation. In addition, any release of 8(a) contracts should be paired with new 8(a) opportunities at a commensurate level.

If considering a specific 8(a) participant, contact the firm's SBA District Office to **obtain the firm's capability statement**. The SBA Business Opportunity Specialist will have the capability statement immediately on hand.



# Resources for Understanding the Requirements

## Federal Agencies:

- OSDBU
- Offices of Small Business Programs (OSBP)

## Federal Agency Small Business Professionals

## Small Business Administration's:

- Government Contracting Area Office Customer Liaisons
- PCRs
- CMRs



**Questions?**