ARE GOVERNMENTWIDE CONTRACTS HELPING OR HURTING SMALL CONTRACTORS?

HEARING

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COMMITTEE ON SMALL BUSINESS UNITED STATES HOUSE OF REPRESENTATIVES

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HOUSE COMMITTEE ON SMALL BUSINESS

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ARE GOVERNMENTWIDE CONTRACTS HELPING OR HURTING SMALL CONTRACTORS?

TUESDAY, JUNE 14, 2022

HOUSE OF REPRESENTATIVES,
COMMITTEE ON SMALL BUSINESS,
Washington, DC.

The Committee met, pursuant to call, at 10:01 a.m., in Room 2360, Rayburn House Office Building, Hon. Nydia M. Velázquez [chairwoman of the Committee] presiding.

Present: Representatives Velázquez, Golden, Bourdeaux, Carter, Evans, Houlahan, Kim of New Jersey, Craig, Luetkemeyer, Williams, Stauber, Meuser, Tenney, Garbarino, Kim of California, Van Duyne, Donalds, and Fitzgerald.

Chairwoman VELÁZQUEZ. Good morning. I call this hearing to order.

Without objection, the Chair is authorized to declare a recess at any time.

I would like to begin by noting some important requirements.

Standing House and Committee rules will continue to apply during hybrid proceedings. All Members are reminded that they are expected to adhere to these rules, including decorum.

House regulations require Members to be visible through a video connection throughout the proceeding, so please keep your cameras on. Also, remember to remain muted until you are recognized to minimize background noise.

In the event a Member encounters technical issues that prevent them from being recognized for their questioning, I will move to the next available Member of the same party, and I will recognize that Member at the next appropriate time slot, provided they have returned to the proceeding.

With that, we are going to start with the hearing.

Ensuring access to federal contracting opportunities is one of this Committee's core priorities. Winning fair contracts allows small firms to create jobs, grow their businesses, and invest in their communities.

That is why the recent decrease in the number of small firms doing business with the government is so concerning. From 2010 to 2019, the number of small companies providing common goods and services to the federal government shrank by 38 percent. This staggering decline not only hurts small businesses but it also leads to less competition in our federal marketplace and less innovation nationwide.

One of the primary causes behind this trend is the Category Management Initiative. Since its implementation beginning in 2016 to 2019, the number of small firms serving as federal contractors shrank by 17 percent.

Category Management is a nationwide procurement initiative that involves buying common goods and services as a single enterprise. It tries to make government purchasing more efficient, less redundant, and ultimately more cost-effective. However, the practice has produced many unintended consequences for small businesses.

One of the most troubling consequences of Category Management is the reduction in the use of individual contracts in favor of governmentwide contracts and those designated as best in class. These larger contracts are structured to serve multiple agencies and require businesses to provide an extensive range of products and services. As a result, many small businesses are at an inherent disadvantage when it comes to winning governmentwide contracts.

Yet the concerns do not end there. For example, these contracts last many years and essentially lock out those small businesses that are not included in them.

Also, the costs and resources needed to bid on these contracts are substantial, and there are no assurances that the small business will receive an award. In fact, the procurement itself may not even come to fruition. This Committee has heard from numerous businesses that invested thousands preparing for a contract that failed to materialize.

As if this was not enough, governmentwide and best-in-class contracts are relying on a self-scoring evaluation process that rewards those who come with vast experience, past performance, and certifications. Hence, only the biggest businesses or those that team up to collectively become the biggest can successfully compete.

Given all the costs, hurdles, and uncertainty associated with these vehicles, many small businesses have been left wondering whether these are best-in-class contracts or worst-in-class.

Today, I want to take a close look at the challenges that governmentwide contracts pose for small businesses and reforms Congress can pursue to ensure attempts to improve federal procurement aren't at the expense of small firms.

I now would like to yield to the Ranking Member, Mr. Luetkemeyer, for his opening statement.

Mr. LUETKEMEYER. Thank you, Madam Chair.

I think we both agree there are many important situations in the federal procurement space that demand congressional attention. The issue we are exploring today rises to among the very top.

Like Netflix disrupting the entertainment industry or Amazon fundamentally changing the way we shop, the federal government's use of multibillion-dollar governmentwide contracts might be permanently altering the way the government buys goods and services.

It is important to keep in mind that these contract vehicles are not inherently good or bad. They are simply tools, and their use or misuse is what determines their impact on the contractor base.

While I understand and even agree with the Office of Management and Budget's interest in maximizing cost savings and obtaining administrative efficiencies, there must be a thorough weighing of the balance. Choosing to procure with these vehicles must not result in devastating impacts to the small industrial base—a base which is, as this Committee has long documented, in decline at an alarming rate.

The Department of Defense recently released a report coming to the bold conclusion that contract consolidation in the defense industrial market is a national security threat, recommending that the agency prioritize engagement with new entrants and small businesses.

Unfortunately, one of the unintended consequences of the rising use of governmentwide contracts is the exclusionary impact this has on most small contractors and the ensuing negative ripple effects stemming from the loss of this critical cohort of business.

Only a limited number of small contractors are awarded spots on these lucrative long-term contracts. This leaves the rest locked out of the lion's share of federal opportunities. No federal opportunity means no incentive to remain in the federal marketplace.

The resulting loss of small contractors means less competition and, ultimately, higher costs to the taxpayers, less innovation, and risk of stagnation and may snowball into broader, more debilitating concerns, such as threatening our national security and economy.

The high-stakes nature of these contracts also creates a whole set of issues for small businesses themselves. For instance, small businesses have only a limited pool of resources; thus, these resources must be diverted either to create the best possible bid or to meet other business needs.

Small businesses may further feel the need to expend even more valuable resources protesting unfavorable contract terms or awards in order to protect their sizable investments, with no guarantee that the outcome will be in their favor.

On a similar note, because these contracts are so sweeping in their requirements and highly competitive, many small businesses feel forced to give up their independence, pressured to partner with large firms via joint ventures for the best possible chance of winning a coveted spot on these contracts.

This presents a whole host of issues, including that many large businesses are essentially legally granted access to federal dollars dedicated specifically to assist small businesses.

Unfortunately, it seems at this point the genie is out of the bottle, and it is difficult to imagine a world returning to mostly individual, direct contract actions. However, we can be wiser, more thoughtful, and more intentional in seeking the appropriate balance.

I will end with this thought. In the struggle to simplify and manage federal spending, the federal government should not lose sight of the importance of small businesses, nor should it disregard the impact that increased use of governmentwide contracts may have on the industrial base. The federal government must do more to ensure the majority of small businesses can thrive in this new environment.

Briefly, on a separate topic, I would like to note that another week has passed and Secretary Young continues to fail to fulfill her statutory duty and appear before this Committee.

Madam Chair, with that, I yield back.

Chairwoman VELÁZQUEZ. Thank you, Mr. Luetkemeyer.

I would like to take a moment to explain how this hearing will proceed. Each witness will have 5 minutes to provide a statement, and each Committee Member will have 5 minutes for questions.

Please ensure that your microphone is on when you begin speaking and that you return to mute when finished.

With that, I would like to introduce our witnesses.

Our first witness is Ms. Amber Hart, who is the Co-founder and Co-owner of The Pulse of GovCon, an advisory firm in Sterling, Virginia, that provides business intelligence information, tools, and data to empower government contractors. Ms. Hart is a federal business developer and has over 12 years of experience in all aspects of selling to the federal government. She is an active member of the Professional Services Council, the president-elect of Women in Technology, and sits on the advisory board for the Center for Government Contracting at George Mason University.

Welcome, Ms. Hart.

Our next witness is Mr. Isaias "Cy" Alba, a partner with the law firm PilieroMazza in Washington, D.C. Mr. Alba counsels clients on a broad range of government contracting matters before government agencies and federal courts, which includes overall regulatory compliance with the Small Business Administration small-business programs. He also represents small and midsize government contractors looking to structure compliant teaming, joint venture, and mentor-protege agreements.

Welcome, Mr. Alba. We greatly appreciate your expertise on today's topic.

Our third witness is Lynn Ann Casey, the Founder and CEO of Arc Aspicio, a certified women-owned small business. Arc Aspicio is a consulting and solutions company that solves problems by applying integrated capability and strategy design data, human capital behavioral science, and technology. Ms. Casey founded Arc Aspicio in 2004 and has had a 29-year career driving innovation for government agencies.

Welcome.

Now I will yield to the Ranking Member to introduce our final witness.

Mr. LUETKEMEYER. Thank you, Madam Chair.

Our next witness is Rebecca Askew. Ms. Askew is the chief executive officer and general counsel for Circuit Media, and she is testifying on behalf of the Women's Procurement Circle.

Having been founded 16 years ago, Circuit Media is a government-contracting small business that specializes in creative services, staffing, and communications. With offices in Colorado and Washington, D.C., Circuit Media and Ms. Askew are familiar participants of the SBA's contracting programs.

Ms. Askew, thank you for once again testifying before this Committee and for your participation today.

I would also like to thank all the witnesses for being here today and joining us, and I look forward to your conversation and discussion.

With that, Madam Chair, I yield back.

Chairwoman VELÁZQUEZ. Thank you, Mr. Luetkemeyer.

Ms. Hart, you are recognized for 5 minutes.

STATEMENTS OF AMBER HART, CO-FOUNDER AND CO-OWNER, THE PULSE OF GOVCON, LLC, STERLING, VIRGINIA; ISAIAS "CY" ALBA IV, PARTNER, PILIEROMAZZA, PLLC, WASHINGTON, D.C.; LYNN ANN CASEY, CHIEF EXECUTIVE OFFICER AND FOUNDER, ARC ASPICIO, WASHINGTON, D.C.; AND REBECCA ASKEW, CHIEF EXECUTIVE OFFICER AND GENERAL COUNSEL, CIRCUIT MEDIA, LLC, DENVER, COLORADO

STATEMENT OF AMBER HART

Ms. HART. Chair Velázquez, Ranking Member Luetkemeyer, and Members of the Committee, thank you for the opportunity to testify before you today.

My name is Amber Hart, and I am the co-founder and co-owner of The Pulse of GovCon. The Pulse of GovCon is a self-funded, women-owned small business focused on empowering government contractors. We break down barriers across the contracting ecosystem and bridge the fundamental gaps surrounding federal procurement.

Our day-to-day involvement has allowed us to not only observe the impacts of governmentwide contracts on our small-business clients but to actively participate in the realities of strategic sourcing and bear the brunt of its unintended consequences.

In a world of uncertainties, small businesses just want clarity by way of clear, concise, and consistent regulations to ensure compliance. However, mixed messages in the usage of these procurement vehicles meant to simplify acquisition have resulted in increased challenges for small businesses.

With limited resources and intense demands on time and money in the bidding process, contract cancellations can be catastrophic to small firms that have dedicated months and years to the process.

Vague contract vehicles with never-ending technical functional areas often devolve into protests, with very little funding making it to small businesses. This creates two distinct consequences.

First, the bundling and consolidation required by Category Management has required the industry to buy or be bought. Companies now must acquire their competitor to scale at a meaningful pace or buy into a sector to increase revenue. This increase in merger and acquisition activity has certainly reduced the number of small businesses eligible for prime contracts.

Second, in the end, it is likely that the same vendors will be on GSA Polaris, HHS CIO-SP4, and GSA 8(a) STARS III due to little to no difference between the focus areas of the vehicles. As a result, the government will not gain access to a wide range of solutions and services from the wider federal marketplace.

At its core, strategic sourcing initiatives minimize channels for acquisition and reduce lanes where contractors can supply services and products. Since its establishment in fiscal year 2016, Category Management has resulted in a 26-percent decrease in small-business utilization across best-in-class contracts. This is identical to its precursor, which shrunk the office supplies industrial base by 26 percent over 6 years.

Furthermore, the number of small-business awards under best-in-class contracts in Category Management has decreased by 22 percent over the past 6 fiscal years. Simply put, small-business dollars have increased but have been consolidated into a shrinking competition pool of fewer vendors and even less contract opportunities.

Under Category Management, governmentwide acquisition contracts serve as the motivating force through the utilization of best-in-class solutions. One of the most important pieces of the best-in-class criteria is having rigorous requirement definitions and planning processes. However, most best-in-class contracts are now being created to support the broadest spectrum possible, resulting in requirements gymnastics for small-business bidders.

For example, GSA Polaris contract is supposed to serve as GSA's future small-business GWAC to deliver complex IT services. Many performance areas laid out in the final RFP do encompass these types of requirements, including cloud services, cybersecurity, and system design. However, the RFP also lists out ancillary support services, including construction, which does not constitute complex IT.

Standardization of best-in-class criteria, how it is managed, and how small-business contractors get a seat on these vehicles is of critical importance. This includes establishing individual definitions for the federal, civilian, and defense markets.

Current best-in-class contracts are all over the map when it comes to important small-business factors like size standard recertification, bid requirements, experience qualifications, ramping timelines and procedures, and how set-asides are tracked.

These collective initiatives have resulted in less access and transparency into government procurement activity and opportunities and has increased requirement bundling, vendor consolidation, and market uncertainty. The unintended consequences of strategic sourcing and governmentwide contracts impact the critical elements that sustain the industrial base—competition, innovation, and economic stimulus.

Surviving in this marketplace is not easy for any vendor, but it is made especially difficult for a small business who could prove real value to our country. The move to Category Management, further contract consolidation, shrinking contracting offices, bundling of requirements, and a strict focus on socioeconomic spending, versus the quality of the small-business requirements being competed, has had a significant impact on small businesses.

The U.S. economy is firmly dependent on a healthy market competition. Competition for federal contracts breeds innovative solutions and passes on cost savings to the taxpayer. To increase competition, there must be equal opportunity to contribute to each agency's unique missions.

If the federal government wants small businesses to thrive, we need to rethink how new, innovative, and qualified players can enter the market, while structuring vehicles that allow agencies to procure the right solutions that truly fit their mission needs. Without these considerations, small businesses may flounder in the wake of large business conglomerates.

On behalf of The Pulse, I thank you for your attention on this important issue, and I look forward to answering your questions.

Chairwoman VELÁZQUEZ. Thank you.

Mr. Alba, now you are recognized for 5 minutes.

STATEMENT OF ISAIAS "CY" ALBA IV

Mr. ALBA. Thank you. Chair Velázquez and Ranking Member Luetkemeyer, Members of the Committee, thank you for this opportunity.

My name is Cy Alba, and I am partner of the law firm of PilieroMazza, with offices in Washington, D.C.; Annapolis; and Boulder, Colorado. We serve clients that operate throughout the United States and around the world, spanning virtually all industries, but we have historical focus on government contractors.

That said, my testimony today represents my own views and not those of PilieroMazza clients or the firm. I greatly appreciate the opportunity to share my thoughts with the Committee on changes that can better serve the small-business community, who make up the foundation of our economy.

As the federal contracting landscape is difficult to traverse, companies of all sizes must invest a great deal of time and money to ensure compliance with applicable laws and regulations. For small businesses, this difficulty is only exacerbated by the mandated use of best-in-class contracts and large governmentwide acquisition contracts.

Many of our clients have seen work vital to their businesses swept up into these large vehicles outside of their reach, their incumbent small-business work being consolidated with other requirements, forcing them to team with companies or become subcontractors, where their fate is dictated by a prime contractor with whom they have never worked and may not trust.

That being said, it is important to note that GWACs and best-in-class contracts are not inherently problematic. Indeed, obtaining work on these contracts is a critical component of many small businesses' growth strategies, as companies can continue to qualify for task-order awards even after they have organically outgrown their size standards, instead of being unceremoniously thrown into the unrestricted space.

These contracts can be used to help these companies survive long enough to learn the rigors of unrestricted procurement, which can include higher compliance challenges and lower profit margins. This struggle is very real, as even being 1 cent over your size standard means that your company must now compete with firms that may have revenues of $100 million, $100 billion, or more. There is no limit.

Given this, we have to find a better way of using GWACs and best-in-class contracts to support small-business growth and development.

For instance, GWACs and best-in-class contracts should have more frequent on-ramps, perhaps even every year or two. This would allow small businesses to participate and not lose out on 5- or 10-year vehicles based merely upon their status or ability to compete as of the date of the initial solicitation.

On-ramps would greatly reduce the stress on companies to secure a spot on these large contracts, thereby reducing the incredibly high stakes of these procurements, reducing bid costs for small businesses, and avoiding locking out firms who come into existence mid-contract, outside of the on-ramp period.

Additionally, prohibit removing requirements that have been previously set aside for small businesses onto these large vehicles without first performing some impact analysis of how the incumbent contractor and the small-business community would be harmed by the move. I cannot count the number of times I have had small-business owners beg for help when requirements their companies had performed for sometimes over 20 years are suddenly moved into IDIQ vehicles that they do not possess.

Third, it should be made clear that the Rule of Two, which requires contracts to be set aside for small businesses when two or more such firms can perform the work, applies to task orders issued under IDIQ contracts pursuant to FAR Part 16 as well as GSA Schedule Contract task orders under FAR 8.4. Otherwise, contracting officers will continue to exploit this loophole to strip small businesses of procurement opportunities while enriching the largest companies.

In addition to the ability for small businesses to survive the struggles of graduating to a midsize company, the SBA's Mentor-Protege Program is also an extremely important tool for growing the industrial base. The SBA's Mentor-Protege Program allows mentor firms to help proteges grow and develop using small-business set-aside contracts while allowing these teams protection from being affiliated and incentivizing larger businesses to truly mentor the small-business participants. This program is not without its faults, but with proper oversight by SBA, it can truly help build the next generation of our supply chain for the federal market.

Many of these issues surrounding large contracts are due to shortsighted decisions by agencies to force Category Management upon the market without thinking about the negative consequences on small businesses. As a result, our entire industrial base is impacted, and it becomes increasingly difficult for new companies to enter the federal market.

Every small-business federal contractor must be protected, and, as a nation, we cannot afford to lose more of our critical industrial base—a very real risk noted by the Department of Defense this past February and as noted earlier today.

I applaud the Committee for holding this important hearing today to address these ongoing issues. Thank you for the opportunity to testify, and I look forward to answering any other questions.

Thank you.

Chairwoman VELÁZQUEZ. Thank you, Mr. Alba.

Now we recognize Ms. Casey for 5 minutes.

STATEMENT OF LYNN ANN CASEY

Ms. CASEY. Chairwoman Velázquez, Ranking Member Luetkemeyer, and the Members of the Committee, thank you for this opportunity to testify on behalf of small businesses as our governmentwide contractors and contracts.

I am the CEO and founder of Arc Aspicio, a women-owned small business. We do have governmentwide vehicles, including the Human Capital and Training Solutions contract with GSA. And we made our way up to that by first subcontracting, then winning our initial contracts on Multiple Award Schedules before being able to compete on a large GWAC.

We are also a small-business mentor to protege 2ndWave in the Mentor-Protege Program. And as a small business that helps other small businesses, we find it rewarding to help them grow as well.

While Category Management broadly helps the federal government increase procurement efficiencies, our company has seen it reduce the number of small businesses and the type and number of opportunities that are available for small businesses, including us, to compete on. This reduces innovation that the small businesses can offer.

Like other small businesses, we absolutely love to work for the government, and we simply want the opportunity to compete. Governmentwide vehicles shift small-business opportunities to very small pools of winning contractors rather than fostering competition among diverse companies under the GSA MAS schedules or other contracts. This reduces opportunities for newer small businesses who seek their first opportunities as a prime contractor.

It also reduces opportunities for established small businesses who were high performers on incumbent contracts, essentially pushing these recompete opportunities to best-in-class vehicles and not allowing great small businesses to recompete for their current work. This actually places burden not only on the small business who can't recompete; it provides extreme additional administrative burden to the government, who has to transition and is forced to transition to new contractors, and this puts the mission at risk.

Small businesses should be allowed to compete on their follow-on contracts. And the Committee can explore innovative best practices, such as permanent legislation rather than frequently changing policies at the agency level about these topics and mandates. This will spur competition, lower prices, and foster innovation.

Another issue for the Committee to consider is the incredible cost to pursue governmentwide contracts. Arc Aspicio estimates that it costs us somewhere between $60,000 and $100,000 for each proposal for a governmentwide vehicle.

In addition, we have to pay costs to get quality certification, such as the Capability Maturity Model and ISO 9000. And while these are great quality certifications, these certifications cost $60,000, $70,000, $80,000 and require annual audits.

In addition, award timeframes and protests really delay any investment we make. We would love the Committee to consider the GSA Multiple Award Schedules and expanding use of these, helping companies to get their first opportunities at prime contracts.

Based on our experience—and we have 18 years in the federal government—Arc Aspicio does not want to cede control of our work and enter into a joint-venture prime contract with a large firm. We have built our experience and really want to win on our own. However, this puts us at a disadvantage when competing with other small businesses who are backed by and often controlled by large businesses of a $100 billion or more. We want fair opportunities against other non-joint-venture small businesses.

We look forward to the Committee exploring incentives for more established small businesses to help other small businesses grow. This might take the form of grants or encouraging the use of additional evaluation credit on task-order bids when a small business mentors a protege and they bid together.

In conclusion, I want to thank the Committee and ask them to consider additional ideas to regrow the small-business base and help them recover from the unintended consequences. Thank you so much for your time.

Chairwoman VELÁZQUEZ. Thank you, Ms. Casey.

Ms. Askew, you are now recognized for 5 minutes.

STATEMENT OF REBECCA ASKEW

Ms. ASKEW. Thank you. Chair Velázquez, Ranking Member Luetkemeyer, and Members of the Committee, thank you for the opportunity to testify before you today.

My name is Rebecca Askew, and I am the owner and general counsel of Circuit Media, based in Denver, Colorado. I am testifying today on behalf of the Women's Procurement Council, which advocates for policies that strengthen women-owned companies that do business with the federal government.

Women fought for 11 years to get the Women-Owned Small Business Federal Contracting Program in place and an additional 2 years to get sole-source authority. Yet the federal government has only met its 5-percent goal for contracting to women twice since 1994.

As a new participant in governmentwide contracts, I hope to provide insight into the resources required to adequately respond to these opportunities.

I started Circuit Media out of my basement with a focus on providing clear and concise communications to law and government. Circuit Media has since grown into a strong supplier of goods and services to local, State, and federal governments. With a diverse background in communications, creative services, and staffing, Circuit Media assists clients in creating cost-effective and compelling deliverables.

Circuit Media had the opportunity to participate in SBA's 8(a) Business Development Program. This program allowed us to learn and develop expertise in the federal contracting arena.

As we entered the transitional stage of the program, our plan for growth focused on differentiating our company through the continued use of set-asides and attempting to obtain slots on governmentwide contracts.

For a small business to respond to an IDIQ, it takes significant time, money, and human capital. The response consist of hundreds of pages over multiple volumes and dozens of pricing categories. At Circuit Media, we dedicate at least one proposal writer and one financial analyst to manage the bulk of the submission. This removes these individuals from their normal work responsibilities and requires others to double up work.

There are always multiple amendments and changes to the original solicitation, which demands extraordinary attention to detail and record-keeping, as errors or omissions are deductions.

Winning a slot also in no way guarantees a company will win work with a federal agency. It only allows you to compete for the opportunities released on the IDIQ. I liken it to getting a fishing license. You can throw your line into the water, but no catch is assured.

I would like to discuss our recent experience responding to GSA's staffing IDIQ, HCaTS. As Circuit Media provides staffing services to the government, we felt it was necessary to respond.

We spent weeks preparing our submission. Our final proposal was hundreds of pages and included 168 different pricing categories. It had to be physically mailed to New York City and was only accepted on DVD disc. We submitted our response on March 20, 2020, the day we closed our offices to the pandemic.

After submission, our first communication with GSA occurred 9 months later. Because of the significant lapse in time, GSA changed components of the evaluation criteria, which they applied retroactively. This subjective post-submission change in evaluation resulted in our company missing the award cutoff by 100 out of 28,470 points.

Agencies fail to realize that delays in contract award and changes in midstream can be seismic shifts for a small business, making or breaking their ability to win work.

My experience points to the need for simplification on the agency front. Congress can assist women in being more successful in securing government contracts by adopting the following actions proposed by the Women's Procurement Circle.

Number one, increase awards to women-owned business, including increasing EDWOSB goals and raising the WOSB goal to 10 percent.

Maximize WOSB awards on governmentwide contracts.

Number three, expand sole-source contract opportunities for WOSBs.

Number four, eliminate EDWOSBs to have access—allow EDWOSBs to have access to business development tools to grow and thrive.

Number five, eliminate double counting for contract awards.

And, number six, require agencies to fully utilize Made in America products.

The federal government's acquisition practices are geared towards large companies competing on enormous government buying vehicles. Congress rightfully continues to require agencies to buy from small business. Over 90 percent of all women-owned businesses are small. Therefore, women are major stakeholders in these policy actions.

Thank you for the opportunity to testify today, and I am happy to answer any questions.

Chairwoman VELÁZQUEZ. Thank you, Ms. Askew.

Now I recognize myself for 5 minutes.

Ms. Hart, so what you described in your opening statement, as well as the other witnesses, is consolation at its best, at the expense of small businesses, at the expense of taxpayers and innovation.

GSA tracks small-business utilization through the Category Management Dashboard. What does the dashboard show regarding small-business utilization in more recent years?

Ms. HART. Thank you for your question, Chair.

So the GSA GWCM small-business utilization dashboard, which is under the dashboard you just referenced, shows 30-percent utilization consistently from fiscal year 2018 to today, which is about the only thing that is tracked.

When compared to industry-wide, that is about consistent of about 29 percent. So it seems to be consistent with how industry is tracking. But there is very small—but you can see it—decrease, actually, in that utilization that is beginning to track.

Chairwoman VELÁZQUEZ. If the small business space has decreased substantially, how could you explain the federal government still meeting the small-business goals?

Ms. HART. So the key statutory tracking for agencies is to actually focus on the small-business dollars, which has increased; we are all aware of that. However, the number has to be carefully looked at, because within each socioeconomic category, numbers can be counted double or triple, depending on the socioeconomic category.

So that is how they are able to keep the numbers rising as well. So the business report can kind of exist for different vendors' transactions, and obligations can be counted triple times.

One example of this metric could be the number of unique vendors receiving small-business dollars is how that really could be fixed, if we actually look at the number of vendors, unique vendors, getting that——

Chairwoman VELÁZQUEZ. Thank you.

Ms. HART.—those dollars.

Chairwoman VELÁZQUEZ. Thank you.

Mr. Alba, not only are requirements being consolidated into a few best-in-class contracts, but these contracts use a self-scoring evaluation process that has its own set of unique challenges.

What are some of the challenges the self-scoring evaluation process poses for some businesses?

Mr. ALBA. Yeah. Thank you.

I think the main thing with the self-scoring is, like has been talked about, a lot of businesses are just looking to tick boxes because you have to. That is the way the system is set up, right? And so companies are looking for either the large-business mentor; or they are looking for 10 or 15 different companies to joint-venture with; or if it is allowed by subcontractors, they do that.

And they are forced to go after, not the best companies to do the job, but the companies to maximize the point scores—one person with a $7 million contract; one likely big guy who has an approved purchasing system; one person who has this skill; one person who has that skill set. So you get this "jack of all trades, potentially master of none" scenario instead of, I think, the best procurement for the best companies.

Chairwoman VELÁZQUEZ. Thank you.

Ms. Casey, so you are a company that has served as a mentor for another small contractors. Can you please talk to us about the benefit to a small business of being mentored by a larger small business?

Ms. CASEY. Absolutely. We mentor a company called 2ndWave. They are an 8(a) and service-disabled veteran-owned company.

Because we have recently been a smaller company, yet we have 18 years of experience, we understand the challenges of newer entrants and newer and smaller small businesses.

Our executives have the time to take to actually spend time with our protege company. We have done off-sites with them and helped them create strategies to pursue new business. We have pursued new business with them. We have helped build up their proposal process so they can actually compete. And they have since won more contracts.

This idea of more established small businesses working with newer small businesses is a wonderful idea, because we have recently lived through it; it is very rewarding for me, as a CEO, to work with another small business. And small businesses are great both advocates and resources for other smalls who are newer entrants to the market.

Chairwoman VELÁZQUEZ. Thank you.

Ms. Askew, in 20 seconds, in your perspective, what are some of the areas that must be improved?

Ms. ASKEW. Thank you for the question.

In my opinion, the areas that must be approved is clear and concise communications and standardization. If you are applying to one of the governmentwide contracts, that you can actually understand what the rules are and how they are being applied to you, as well as, you know, looking at opportunities for women-owned, other types of opportunities within those GWACs so that everyone can have a level playing field.

Chairwoman VELÁZQUEZ. Thank you.

Now I recognize the Ranking Member.

Mr. LUETKEMEYER. Thank you, Madam Chair.

Ms. Askew, it seems the goal of these governmentwide contracts is to reach administrative efficiencies and cost savings through contract consolidation. This is something I agree with, but it seems to hinder small-business growth.

Do you think it is possible for the government to find both efficiencies and save taxpayer dollars while also building a robust and healthy small-business base?

Ms. ASKEW. Thank you for the question.

In my estimation, it has been difficult to be able to balance both of those. It is sort of you throw the baby out with the bath water. You are trying to do consolidation, but that leaves small businesses in the lurch and unable to respond or even to be on the playing field.

That example of us trying to respond to a governmentwide contracting opportunity really displayed that capability. You know, we put all of our resources towards that opportunity and still came up short.

So I think that, you know, when you are looking at the best way to manage, you know, the balance between the two, I think it is best to realize that, being a small business, you aren't going to have that equal playing field, and there needs to be some kind of measurement for that.

Mr. LUETKEMEYER. Thank you for that.

Just a quick question with regards to the things that are going on in society today and how it is affecting your ability to bid on contracts here.

With additional inflation and supply-chain problems and the reliability of the supply chain, do you have something built into your contracts to be able to allow the bidder to—is there flexibility in there with regards to inflationary costs, inability to, you know, to weather some of the supply-chain disruptions? How do you manage that situation?

Ms. ASKEW. That is the $24 million question, actually.

You know, when you enter into a contract and when you, you know, enter into a contract with the government, you are contracting at that moment in time, and there is not any kind of additional remedies that can occur.

You know, an example of that is Juneteenth. We moved from having that not be a holiday to that being a federal holiday. And all contracts—you know, you needed to be flexibility during that period of time.

So, you know, I——

Mr. LUETKEMEYER. Okay. The question, I guess, is: Is there enough flexibility in the contracts to allow you to be able to adjust and be able to—you know, if you are sitting there guessing at what inflation is going to be down the road, you don't have any firm commitments from people who are your suppliers, with supply-chain problems, how—is there enough flexibility in the contracts to be able to allow you—or do you have to bid up significantly higher in order to be able to, you know, be able to run the risk of not having enough built into there to be able to make some money on it?

Ms. ASKEW. That is a great question. Actually, you know, with LPTA or some of the contracts where they look at lowest price or best value, you end up—your margins become pretty slim, they become pretty small, because you want to be competitive with all the other businesses. And so, you know, there isn't a ton of flexibility, to be honest.

Mr. LUETKEMEYER. Well, one of the problems, it would seem to me, is the length of time some of these contracts take for you to be able to fulfill the contractual obligation. And so it may be weeks, months, years to be able to fulfill a contract. So how do you project out?

I know I have some constituents that are stuck in the situation here where they bidded and now, with this runaway inflation that we have, they are going to be—you know, unless the government is willing to come back and help them arbitrarily, they are going to be in big trouble here, because they are not going to have enough income or enough equity in that contract to be able to survive. They are actually going to wind up losing money out of the deal.

So I would think there needs to be some sort of clause or flexibility in there to allow the small businesses, who are probably not flush with tons and tons of cash—otherwise, they would be bigger businesses—to be able to survive.

Ms. ASKEW. I think that is very astute. And I would say that it is a difficult problem. And I am not sure I have the solution.

I would say that, you know, there are brief increases that occur every year with the contract. But, once again, you have to measure that increase with the ability or the need to win one of those contracts to continue to compete.

Mr. LUETKEMEYER. Ms. Hart, did you—you heard my question. Do you want to—I mean, that is part of what you do, is consulting on these contracts. Would you have a comment on that?

Ms. HART. Absolutely.

So I believe there was a recent EO on inflation from the administration allowing flexibility, for at least defense contractors to take that into consideration.

And then there are some IDIQ vehicles and GWACs that are now allowing you to compete at the task-order level on pricing, which means you don't submit pricing at the umbrella level, if you will, and——

Mr. LUETKEMEYER. So—I am sorry to interrupt, but I am out of time here—just a clarification here. So the executive order allows enough discretion by the agency to be able to work out a deal with the contractor, then, to make sure they don't go under?

And, then, if they go under, they may not be able to actually provide the service or product. Although they probably have a bond to make sure that works. But we don't want to lose people in this process.

Ms. HART. It is not my area of expertise, but, from what I understand, it does allow some flexibility for contractors to bring in inflation.

Mr. LUETKEMEYER. All right. Thank you very much.

I yield.

Chairwoman VELÁZQUEZ. The gentleman yields back.

Now we recognize the gentleman from Louisiana, Mr. Carter, for 5 minutes.

Mr. CARTER. Madam Chair, thank you very much for the opportunity.

I have a general question that any of you who would like to can address.

We know that, during COVID, there was an extension for individuals that were 8(a) contractors to theoretically make up for the loss of opportunity because of [inaudible] that year there was an extension. It actually turned out to be less than a year.

What value, if any, do you believe that extension gave? And how could we be able to perhaps grant even additional time for people who may have met on the time out, running out of time with the certification [inaudible] didn't fully get in the amount of time.

Could someone share with me their views on how we can do better, how that worked, and your thoughts?

Mr. ALBA. Yeah, I would be happy to answer that. I am a member of the board of the Bowie Business Innovation Center, which has an 8(a) accelerator program, in a historically black college and university, the only in the country, and so I deal with these issues often.

And this is one of those things that I have heard repeatedly, where the companies have sort of begged to get an additional year. Given the way that COVID has extended itself out, they have not been able to meet with contracting officers as often. The events are only just starting to happen, conferences and whatnot. And so it has been difficult to interface with individuals in market.

And that has been, I think, a major factor, in a lot of the 8(a)s that I have been talking to and who we work with in our program, in getting new contracts and growing, especially those who are towards the end and are looking to maybe get on some new contracts to weather this next challenging storm.

Mr. CARTER. Ms. Casey?

Ms. CASEY. I would say as mentor to an 8(a) company, since things are really only starting back, they would love an additional year to be able to build up their business. COVID has really hurt the opportunity to sell to the government.

Mr. CARTER. So I think, more than them just loving to have an additional year, I think there is a case to be made that they did not get the full complement of what the program is designed to do, because even though there was an extension, the extension wasn't, in fact, a full year.

But the effects of COVID and the supply-chain crises is very much still in effect, so people are still suffering. So I just wanted get your observations and your thoughts on that. I am happy to hear that it is consistent with what I hear from my constituents.

And, Madam Chair and Ranking Member, I would like to ask that we include this in our further due diligence as we move forward on how we can really make these individuals whole who have suffered greatly at the hands of something that is beyond all of our control, COVID and supply chain.

Quickly, pivoting from that, I would like to ask a question about the Mentor-Protege Program. What obstacles, if any, have you had in really getting to businesses that are out there that would benefit but aren't aware of the various resources?

Mr. ALBA. Yeah, I am happy to take that too.

So, you know, dealing with small businesses all over the country and things, I think it is—there is a disparity in information, I think, depending on where you are. So some places in the country, like around here, around the Beltway, there is a lot more knowledge of these programs, whereas when you go in other places—and I have a number of clients in the Huntsville area and things of that nature—they have fewer and fewer resources available to them, and there isn't as much, I think, outreach.

Potentially, SBA could have more sessions in some of these areas and explain the benefits of the program with potentially all these great small-business mentors, like we heard about earlier, who are willing and offering this type of help.

Mr. CARTER. Let me ask you real quickly before my time runs out. So this is something I hear from my constituents quite often, is some of the mentorship-protege programs, while they work financially, they don't always work in the vein of giving that protege a true opportunity to learn the business and really perform.

How do we overcome the relationship that becomes one more of a financial partnership and less a partnership with that protege to actually learn the business to become a mentor to someone else?

Mr. ALBA. So I would say there are already a number of rules in place that we could just do a better job of enforcing.

So SBA looks at reports that proteges give every year as to how the mentor-protege relationship is going, but I haven't personally seen them do much with it. So potentially the SBA could take a closer look at these issues, go through the mentor-protege agreement, make sure the promises that are in that agreement are being met, specifically—not just joint-venturing, not just contracting.

SBA says all the time that it is to develop your business, it is not a business development program. And to take that to heart and move that forward, I think, is what we need to do.

Chairwoman VELÁZQUEZ. The gentleman's time has expired.

Mr. CARTER. Thank you very much. I yield back.

Chairwoman VELÁZQUEZ. The gentleman from Texas, Mr. Williams, Vice Ranking Member of the committee, is recognized for 5 minutes.

Mr. WILLIAMS. Thank you, Madam Chairwoman and Ranking Member Luetkemeyer and witnesses, for being here——

[Audio interruption.]

Chairwoman VELÁZQUEZ. Can you please, the Members that are hybrid, mute yourself?

Thank you.

Mr. Williams, yes, I will give you more time.

Mr. WILLIAMS. Thank you, Madam Chairman. This why we need everybody here and quit this nonsense we got going.

Thank you all for being here today.

And before I address small businesses' role in government contracting, I would like to take a minute to address the current state of our economy.

I am probably one of the few—maybe Ranking Member Luetkemeyer—that was a small-business owner in the 1980s. I still own the same business I had in the 1980s, in 1981 and 1982, where we saw so many of the same issues we are facing today. If we keep going the way we are going, there are not going to be any mentor programs, I am just telling you.

Let's go back to 1981. In 1981, we had inflation out of control. We had leadership that had no idea what to do about it except condemn our country. So we had inflation out of control; the federal reserve was raising interest rates. We had 20-percent interest—20-percent interest. So, if you were a small-business owner, you went to bank and you borrowed at 19 percent—19-percent interest. And if you had any money, you had a CD. Ranking Member Luetkemeyer's banks were paying 19 percent on 2-year CDs, if you can imagine that.

So interest rates were out of control, and principal balances were so much different. Today, everybody is concerned about 6 percent, which we should be. We are paying 6-percent interest on—I am in the automobile business, and in 1981 you could buy a car from me for 3,000 bucks and finance it at 20 percent. But that same car now is $50,000, $60,000, $70,000, $80,000, you can finance it at 6 percent, and the principal balances are so much higher. It is just creating one heck of a problem for us.

And homes, we see what is happening with homes. Homes you could buy for $40,000 now you buy for $400,000.

Chain disruptions, we didn't have that in 1980. The one thing we had 1980 was product. We could sell our way out of it; we could claw our way out of this problem. But now there is no product. There is no—I don't have any cars to sell. There is no nuts and bolts and hardware stores. It is a mess. We have chain disruptions like we have never seen before. So at least we had debt.

So 20-percent interest paved (ph) the 6-percent interest. That is a real problem. I have a concern for our economy. Our economy is in a serious, serious issue.

And you all talk about growth and getting the government out of small business and talk about competition. That is what it is all about, but we don't have that now, you see. We need to get out of this by quit spending money we are printing that is worthless. And we need to let main street compete and be able to help get ourselves out of this mess.

But we all need to have our eyes open of the situation we are in right now. We have the best workers in the world, and we are paying them to sit on the sidelines. So we need to make it easier on main street, we need to cut taxes, we need to reduce regulations, and we need to let the private sector and small business get us out of this mess. I am for that. I think all of you are, too, from what I hear with your testimony.

So, with that, before I move into my other question, Ms. Askew, what is your general take on the economy? And how is it impacting your small business and the businesses you represent?

Ms. ASKEW. Thank you for the question.

At the end of the day, revenue is the driver that makes any small business successful. And, you know, obviously, no one wants higher taxes or inflation——

Mr. WILLIAMS. Thank you for saying that.

Ms. ASKEW. That is—I think we would all agree to that. And so trying to figure out——

Mr. WILLIAMS. Not everybody.

Ms. ASKEW. Well, trying to figure out a way in which you can manage that and still grow your business is really a challenge.

Mr. WILLIAMS. Well, it is.

And all American small businesses deserve an opportunity to compete, as we talked about, for government contracts against their larger counterparts. However, the current bidding process, we hear, is extremely resource-intensive and prevents small businesses from even attempting to break into this potential revenue stream.

Businesses are having to make the decisions to commit significant resources to secure a spot for these federal contracts or take one more additional growth opportunity like hiring that additional employee or investing in new equipment. These two options should not be an either/or scenario. So every qualified small business should be able to have their opportunity to secure a contract without it being prohibitively expensive.

So, again, Ms. Askew, you have experienced the same frustrations firsthand. Can you elaborate on the decisions your business had to make to decide to break into the contracting world? And what recommendations do you have that would allow smaller businesses with less resources the opportunity to compete?

Ms. ASKEW. Thank you for the question.

It is a day-by-day decision-making process that we go into at Circuit Media, trying to decide: There is this opportunity. How is that going to impact us? Who do we have to pull off of—the opportunity to respond, just, you know, to respond, to get, you know, that opportunity to perhaps win? And how are we going to manage that with our current workload?

And so it is a day-by-day decision-making process that my team and I go through to try to figure out—you know, it is, do we rob Peter to pay Paul? How do we manage that?

Mr. WILLIAMS. Trying to figure out how to beat the government is tough.

Thank you for being here. Appreciate it.

Ms. ASKEW. Thank you.

Mr. WILLIAMS. I yield back.

Chairwoman VELÁZQUEZ. The gentleman yields back.

Now we recognize the gentleman from Pennsylvania, Mr. Evans.

Mr. EVANS. Thank you, Madam Chairperson.

Ms. Casey, to what extent has engaging in joint ventures become necessary for small businesses to successfully navigate the federal procurement space, and why?

Ms. CASEY. Well, we are an established small business, and we decided to enter into being a mentor to a smaller small business to be able to help them compete on additional contracts. Certainly we do get a benefit if we win any of those contracts, but that is really helping grow a small business.

On the other hand, though, we have decided not to enter into a mentor-protege program with a large business.

Arc Aspicio really likes to control our own destiny, manage contracts, and deliver on our contracts. And we have the experience to do that with the federal government and have worked on more than 150 projects.

The current business environment, though, is pushing us to almost be forced into a joint venture with a large business in order to continue to be able to compete on contracts. And that is a big challenge for us, because we would like to not have to compete with joint ventures that are backed by hundred-million-dollar companies, because we can perform the work on our own.

Mr. EVANS. Given the shift towards governmentwide contracts and best-in-class vehicles, what would be your number-one recommendation for new businesses interested in becoming federal contractors?

Ms. CASEY. That is a great question.

What helped us when we started out was the support of other small businesses. I think networking among small businesses will really help newer entrants navigate the complexities of today's business environment and the challenges of governmentwide contracts—networking to gain experience and knowledge of how to write proposals, how to get subcontract opportunities that lead to prime contract opportunities on things like GSA Schedules so that when the time comes you are ready to bid on a governmentwide contract.

But it is a journey, and you can't just jump to a governmentwide contract. And I think smaller businesses can help other new entrants navigate that complex environment and build a business strategy that is lasting and could help these new entrants succeed.

Mr. EVANS. Thank you, Ms. Casey.

I yield back, Madam Chairperson, the balance of my time.

Chairwoman VELÁZQUEZ. The gentleman yields back.

Now we recognize the gentleman from Pennsylvania, Mr. Meuser, Ranking Member of the Subcommittee on Economic Growth, Tax, and Capital Access.

Mr. MEUSER. Thank you very much, Madam Chairwoman, and I thank the Ranking Member.

And I certainly thank the witnesses for being here on a not necessarily complicated but interesting set of circumstances, where you can see the benefits for these government contracts on the side of the purchaser, the government agencies, and you can certainly understand your point, because being on such government contracts is referred to as "winning a golden ticket." That is not good.

So, you know, the governmentwide contracts, you know, the benefits: less contracts—I mean, I was in State government; you know, none of them makes life easier, but it allows you to analyze things more so perhaps—less work, less contracting overall. The idea of consolidating purchasing, you have to appreciate that. That could create lower prices overall.

The double-counting issue was misguided. I have a bill, actually, if you take a look at it, 7685, the Truth in Small Business Contracting Credit Act. So take a look at that. Maybe you could weigh in on the committee, Republicans and—both sides, and see if that is something you think that we should get behind and endorse.

But, in the meantime, you know, solutions: you know, the joint venture. Okay. Latch on to someone who is already on a GWAC and then just reapplying.

Now, Mr. Alba you mentioned the challenges in reapplying, but let me just start with Ms. Askew.

So, if you are not on these GWACs and you do fit well but you—on one particular agency and you are active, to gain additional business, additional contracts, is that a virtual impossibility because the GWAC is already confined for a 5-year period?

Ms. ASKEW. Thank you for the question.

It is difficult, it is definitely difficult, as a small business when we are working within an agency, you know, trying to increase our exposure or our opportunities within that agency.

You know, I think one of the other witnesses mentioned the fact that there is no way to communicate our market to those agencies really now going forward, because of the fact that everything is virtual and, you know, you aren't having an opportunity to really meet with anyone that could assist you.

In my experience, trying to, you know, increase our exposure or our opportunities within a contracting vehicle or on a GWAC is difficult because, you know, you are out in the void; you are trying to respond to opportunities that you aren't aware that they are even coming.

Mr. MEUSER. Yeah. And I was on the private-sector side, as well, trying to get contracts for a number of years, and there is no question, even though you work hard towards it and you have the right price point and right product, you feel almost lucky to get it in the end. It is like you are happy that you felt so fortunate that you spoke to the right person and they reviewed things right.

So, being that is still the case, or maybe even worse—because I am going back a good 10 years—what could each of you tell me, maybe the one thing that—or two things if you would like—that we really need to zero in on here? Because the goal is small businesses, women-owned businesses, diversity, but, at the same time, the highest quality and best price.

So maybe, I don't know, Ms. Hart, if you want to start.

Ms. HART. Sure, I can start. I can give two recommendations.

I think we need to formally and legally define best-in-class contracts. Currently, it is a very objective five-point standard that is not really followed, and it is not in the FAR, and so it is very hard for small businesses to understand and comply.

My second recommendation would be creating governmentwide IDIQs with explicit technical focus. As I mentioned, GSA Polaris has construction on there as a requirement, and that is not atypical. That is a very typical thing that you see now.

Mr. MEUSER. And, Mr. Alba, to you. And, then, is there a particular agency that is the most difficult, that needs to really pick up their game?

Mr. ALBA. I mean, CIO-SP4 was somewhat of a mess. I think I have written a lot about that. So that would be one, the NITAAC folks.

But I think, just generally, if you could have these GWACs and, instead of this jack-of-all-trades idea, to narrow it down and maybe allow you to bid on different pools—each, like, contract line-item number or section of the contract—to get the best people for that section, as opposed to having to award someone who can do everything, because I don't think you get the best product that way.

Mr. MEUSER. Thanks.

I yield back, Madam Chair.

Chairwoman VELÁZQUEZ. The gentleman yields back.

Now we recognize the gentleman from Maine, Mr. Golden, Chairman of the Subcommittee on Underserved, Agricultural, and Rural Business Development.

Mr. GOLDEN. Thank you.

Ms. Hart, under the mentor-protege joint venture, as you know, a small business has to perform at least 40 percent of the work. Is that the appropriate share of the workload, in your opinion? And, if so, why? If not, why not?

And if you think there should be changes, so if these joint ventures should be modified so that small businesses take home more of the work, what is the right mark? And what might be the pros and cons of increasing that?

Ms. HART. That is a great question.

So, in order to perform under these IDIQs or even task orders, the prime has to perform 51 percent of the work. So I do believe that increasing it from 40 percent to a little bit higher makes a lot of sense.

I do understand that that puts some burden on small businesses, but I think you do get a better product and a better vendor out of that that is a little bit more qualified and maybe one that is a little bit more established to take advantage, as the witnesses have also said, of the large business offering those support services.

So I would definitely take a look at increasing that. I think that that could definitely help.

As the Mentor-Protege Program has kind of been taken advantage of over the past few years with these governmentwide contracts, people are just kind of forming them in order to compete. So I think to bring it back to an actual technical focus would be a good idea.

Mr. GOLDEN. Thank you. I appreciate that.

Ms. Askew, in your testimony, one of the things that really got my attention the most was when you said that you had to send in your application by mail, and then, of course, you had to wait 9 months, you said, to get any kind of a contact, even, from the entity that you were submitting your application to.

So it seems like, in general, through the Q&A here, that what you have highlighted: One is that, for your business, even choosing whether or not to compete, there are a lot of staff hours that are going to go into even figuring out if it is the right move for your company, a lot of staff hours obviously into what is often, you know, a pretty burdensome application process, and then probably some significant challenges, just knowing that it could take a very long time before you even know if you are going to get the award and move forward.

So, with that in mind, just knowing that you are here in front of the Committee and small businesses will be watching this: If you were in a situation where you were meeting with another business who was thinking about getting involved in best-in-contract-type work for the first time, what would your advice be to them on how to best prepare for that and what the challenges would be that they need to consider?

Ms. ASKEW. Thank you so much.

I think we have highlighted most of the significant challenges—the money, the time, and the resources. And when you are repurposing your resources, you are not doing the other work that you need to do in order to continue to have your business thrive.

My advice to an organization, a company that might be interested in going after these larger vehicles is—you know, our position at Circuit Media is that that is where the opportunities are. And I would not be telling the truth if I told someone, Don't go after it because, you know, it is too much work or it is too hard. It is where the opportunity is, and I would be remiss to tell someone not to do that.

Mr. GOLDEN. That is helpful.

Do either of you two have any followup to that?

Mr. ALBA. I will say—this might be a sad comment, but I would tell people to read the solicitation very carefully and just tick the boxes. And I think that is the biggest problem of all of this, but that is all you need to do. Read it very carefully, and find someone to tick every single box you can.

Ms. HART. I would chime in on that, as a saying that we have is "compliance is king," and if you are not compliant, it doesn't matter if you are compelling, in order to compete.

Mr. GOLDEN. In general, where do you see small businesses try and fail?

Mr. ALBA. I would say, when it comes to unclear language, I think a lot of companies are afraid to ask questions because they want to try to take advantage of any ambiguity, not really understanding, through the protest process and the laws that currently exist, if you don't get your questions answered, you lose the opportunity to challenge those things or deal with it.

Chairwoman VELÁZQUEZ. The gentleman yields back.

Now we recognize the gentleman from Wisconsin, Mr. Fitzgerald, for 5 minutes.

Mr. FITZGERALD. Thank you, Madam Chair.

I am over here, you guys, over in the corner.

Ms. Askew, can you go back to—there was kind of a general discussion about the costs associated with just making the application. And this is not the first time we have kind of skirted around the discussion about, you know, is there the wherewithal, first of all, for a small business to kind of just come up with, not only the resources available through their own labor force, but being able to pull this stuff together. And I think you said there was, like, a $20,000 figure just imposed during the IDIQ.

Can anyone talk about the costs associated with that?

Ms. ASKEW. Yes. Thank you.

Our costs—every time you decide to go after one of these contracts, you have to make a decision: Am I going to hire out or have a consultant assist me so that I know which boxes to tick? I think Mr. Alba had an interesting comment that, yes, in fact, it is really hard as a small business to try to figure out which boxes do you try to check off.

And so, whether you are using a third-party vendor that can come in and say to you, here are the 18 boxes or, in our situation, you know, hundreds of boxes that you need to check, that really becomes a financial decision. You know, am I going to utilize my inhouse staff—and we might not be as well-versed or as capable as a vendor might be able to help us.

And that is where the money really comes in, whether you are choosing to hire someone to help you or whether you are doing it internally.

Mr. FITZGERALD. The other thing—and any one of the panelists can talk about this, I guess—is, can you elaborate on the contracting officer's subjectivity and just how that plays into whether or not you get the contract as well?

Go ahead, Ms. Askew.

Ms. ASKEW. Sure. I can provide an example in our HCaTS opportunity.

From the period of time that we submitted our application to after that period of time that we got our first response, they changed the evaluation criteria. And, in my situation, one of the things they evaluated were your reviews, your company reviews. They are called CPARs.

And, in my situation, the CPARs—we had a change in contracting officer, who made a decision that they would not give "exceptional" CPARs; they would only give "very good"s. It had nothing to do with the quality of our work. It was just a subjective decision by the contracting officer.

And so, in that situation, our points actually dropped because we were—although same work, same company, we were evaluated differently during that period of time.

Mr. FITZGERALD. And, again, any one of you can jump in on this. Because I know that, at some level, in the higher DOD contracting, you almost have this situation where sometimes those in charge on the technical level will become somewhat imbedded with the corporation, so there is a back-and-forth, that that exchange can develop into something that happens on a regular basis.

How much contact was there with those that were overseeing, kind of, the process? Was there any exchange on a regular basis?

Ms. ASKEW. I could respond to that. We had no exchange.

Mr. FITZGERALD. Okay.

Ms. ASKEW. The first contact we had was at 9 months, where they said: We are changing the criteria, and can you respond based on this new criteria?

Mr. FITZGERALD. Yeah.

So maybe a suggestion for you, Madam Chair. It would be interesting to see, like, at what level some of those, you know, exchanges start to happen.

Because, obviously, at some point, there are many different resources being poured in by the government to develop these strategies, especially when they have to determine what kind of inclination or escalation, I guess—a better word—in labor force you would need to meet the needs of the contract.

So I think it would be something great for the Committee to dig into and see if we can't get some better answers on that.

But thank you very much for being here.

I yield back.

Chairwoman VELÁZQUEZ. The gentleman yields back.

Now we recognize the gentlelady from New York, Ms. Tenney, for 5 minutes.

Ms. TENNEY. Hi. Am I on?

Chairwoman VELÁZQUEZ. Yes, you are.

Ms. TENNEY. Oh, thank you. Thank you, Madam Chair. I greatly appreciate it.

It is a very interesting hearing. And thank you to the witnesses. Because I think this is something that a lot of people don't understand, how complicated government contracting is, and the amount of money that we spend of taxpayer dollars, and how important it is to make sure that money is distributed in a way—or awarded in a way for contracts with reliable vendors and reliable people that are going to live up to the standards that we set by this code.

But it is really interesting to show how—just listening to you all, it has been very interesting just to hear an awful lot of alphabet soup of terms that I think a lot of people don't understand.

And I wanted to just go to Ms. Askew first, if I could, and just elaborate on what Representative Fitzgerald was getting into.

And you are talking about the $20,000 that you needed for an IDIQ. And I am just going to say, this is an indefinite-delivery, indefinite-quantity type of contract, which may make somebody in business like me go, "Agh." You know, how do you have a contract that isn't clearly defined?

And I just wondered if you could talk about that $20,000 being a barrier to entry and getting new businesses, like your business and smaller ones, involved in the process and why that is sort of an undefined concept.

Ms. ASKEW. Yes. Thank you.

In our situation, being able to respond—and you might say, in the large scheme of things that $20,000 might not be a lot of money. But that only allows you to get on the—if you win and if you are successful, it only allows you to get onto the vehicle. You then have to respond to every one of the subsequent opportunities. You don't win anything. You just win, as I was saying, a license——

Ms. TENNEY. You just get to be in the bidding; that is it.

Ms. ASKEW. That is——

Ms. TENNEY. Are there additional fees that you have to pay after that initial $20,000? Because this looks—I mean, am I interpreting this wrong? This looks like sort of an open-ended contract situation, because you are not reacting to a defined bid. It is just, you are in a situation where bids will emerge, and then you will eventually—you know, you are in the system. And then, if it is undefined, you know, there could be more coming up that would be available.

Ms. ASKEW. Right. I mean, you do have that opportunity to respond. I just approximated $20,000 because that is how much it cost for us to use third-party assistance so that we wouldn't—we perhaps could win. You know, when we have done it ourselves, it is internal time, you know, which probably actually equals more than $20,000.

But, for us, you know, once again, when we are looking at those opportunities out there, these best-in-class vehicles are where everything is going. And so you have to—you know, if I am going to continue to be a viable business, that is a decision we have to make.

Ms. TENNEY. Yeah. It is interesting. I think, you know, for anyone watching this that is not a government contractor, just the idea that it is so complicated makes it look like there is room for subjectivity, and, therefore, the best contract is maybe not getting awarded. It is a contract being awarded based on, maybe, somebody with an inside relationship—which would be developed, obviously. If a contractor works with someone, they are going to end up getting a good relationship.

But I wanted to ask—so, Ms. Hart, you mentioned something about defining "best in class." And I just wondered if you could elaborate a little more. I didn't quite catch what you were saying about that.

When you say "best in class," what do you mean? And how can we legislatively make that easier so that contracts are more available to small businesses and they could break through some of the barriers that we are seeing with them getting into this?

Ms. HART. So that is a great question.

In my written testimony, I do expand upon this, on how GSA and OMB, currently, they define best-in-class contracts. But the question you just asked, what does this mean, is actually what industry is currently asking all the time, what best-in-class contracts are. It is very subjective, and it is very open-ended. And there is no legal definition in the FAR or anywhere that says, this is what a best-in-class contract is.

So GSA very much gets to kind of make their own decisions on what that constitutes and what those definitions mean and then apply that to industry. And we have to adjust and pivot and basically be at that whim in order to respond.

So, in summary, there is no definition of that currently.

Ms. TENNEY. Right.

So what would we—if we are legislators, we are supposed to be making laws, what would you say—how should we define "best in class" in legislation if we were to propose it?

Ms. HART. Well, that is a really large question. I would have to probably think on that and get back to you, but the way that I would look at that is: Having a one-size-fits-all approach to procurement is not sustainable for the federal government or to meet their mission needs, and a one-size approach even for defense versus civilian is not a right way to approach this.

I mentioned looking at creating governmentwide IDIQs with explicit technical focuses or looking at standalone contracts that have more of an incentive in order to use that. I think that that might be a better approach in looking at that, rather than trying to define what a best-in-class contract is, because I do think that that could easily be taken advantage of, and we might find ourselves sitting here again with the exact same problem in a few years.

Ms. TENNEY. Yeah. Thank you.

No, I can—the frustration—I know people in government contracting from the DOD side and a number of other areas where it is just a very frustrating process. And taxpayers don't really understand it as well. It is so confusing, and they are worried that, you know, everything is an inside deal.

And I would just like to see it be more objective so that we can get good small businesses in that can provide excellent services at a lower cost and better quality to our government. And, obviously, that is the mission of our inquiry today.

But thank you again to the witnesses, to the Chairwoman, and the Ranking Member. I appreciate the time. I yield back.

Chairwoman VELÁZQUEZ. The gentlelady yields back.

Now we recognize the gentlelady from California, Mrs. Kim, Ranking Member of the Subcommittee on Innovation, Entrepreneurship, and Workforce Development.

Ms. YOUNG KIM. Thank you very much, Chairwoman Velázquez and Ranking Member Luetkemeyer, for holding this important hearing to discuss many different ways [inaudible] contracting opportunities for small businesses.

And I want to thank the witnesses for joining us today.

Ms. Casey, let me start with you with my first question. I am concerned that the rising use of joint ventures in SBA's Mentor-Protege Program is creating a dependency among small businesses on them to be competitive.

So what is your assessment of the Mentor-Protege Program and the formation of joint ventures and their impact on small businesses?

Ms. CASEY. So I think that the Small Business Mentor-Protege Program, at its heart, has the spirit of intending to grow small businesses and help small businesses get their feet on the ground and get a good start.

I think there are a lot of unintended consequences that have not yet been assessed or studied. And I think there is a great opportunity to provide additional help and oversight to the Small Business Administration so that they actually collect more data and understand the implications.

How much of the revenue that is going to these joint ventures is really ending up in small business? And how successful are these small businesses, beyond the joint venture, in winning contracts and building up their corporate capabilities to be a great prime contractor on their own?

And so I think this is a great opportunity to collect data to understand these unintended consequences so that you can seek to identify additional legislation that may actually take a program that has the spirit of helping small businesses and make that much more successful.

Ms. YOUNG KIM. Thank you, Ms. Casey.

You know, let me ask to all witnesses: There is currently no process in place allowing the government to gather data on the federal contracts that went to small businesses versus large mentors.

So would you be in favor of having a process that could allow us to tap into that data? And, if so, how do you think having that data could improve federal contracting for small businesses?

Any one of you can answer.

Mr. ALBA. Sure. So, yeah, I mean, there are laws and regulations that dictate the performance of work and what is allowed as a maximum, but, yeah, you are absolutely right that there is no way of tracking internally what is happening in joint ventures.

Some of these IDIQs, though, or other contracts do make you report back data on whether you are meeting the performance-of-work requirements, and perhaps expanding that and making sure that it is done correctly.

But I would say not just the dollars, but also making sure you report who is doing what, so that you can show that the small business is actually learning from this experience, actually managing, actually doing the work, as opposed to just hitting some arbitrary number.

Ms. YOUNG KIM. Yeah.

Unless any other witness would like to respond to that, I have one other question, so let me throw it out there in the short period of time I have.

It seems like there aren't many governmentwide contracts that offer very limited spots, although there are many qualified contractors out there. So do you have any thoughts on whether the government should open that pool to many more contractors and push competition [inaudible]?

Maybe, Ms. Askew, you can answer this one.

Ms. ASKEW. Thank you.

I would say that opening it up to more spots could be an answer. The issue still becomes, how do you get on—you know, what resources and requirements do you need to be able to actually get onto that opportunity, no matter how many spots are open? And so I think that is really where the difficulty lies.

Ms. YOUNG KIM. Well, I would like to hear more about the agency delays and amendments (ph) impacting small businesses' chance of success at getting on an award.

So what is the typical timeline in which an award is made? And what potential factors delay these awards? And is there anything that can be done to mitigate the negative impact felt by small businesses?

Ms. CASEY. I can cover that.

In my experience with some of the governmentwide contracts, it takes between 1 and 3 years to get to an award.

Delays come in multiple forms. One, it takes a very long time for the government to evaluate the proposals. Secondly, there is an increase in the number of protests, because maybe the requirements weren't as clear as they could have been. And then those protests create delays, as is seen in the examples of CIO-SP4 and recently in Polaris.

So the time between making the investment and the time you actually get the award, if you are lucky enough to get one of these coveted spots, could be 3 years. And you could have spent, in our case, between $60,000 and $100,000 on a single IDIQ bid.

So making sure that the government provides a near-final draft prior to releasing the solicitation, that would really allow businesses to know exactly what they are going to be bidding on, create a strategy, and reduce costs and time. So that could help quite a bit.

Ms. YOUNG KIM. Well, thank you so much.

I really look forward to working with my colleagues to improve the federal contracting process for small businesses.

And thank you so much for letting me go over time, and I yield back my time.

Chairwoman VELÁZQUEZ. The gentlelady yields back.

Now we recognize the gentlelady from Texas, Ms. Van Duyne, Ranking Member, of the Subcommittee on Oversight, Investigations, and Regulations.

Ms. VAN DUYNE. Thank you very much, Madam Chair Velázquez and Ranking Member Luetkemeyer, for holding this hearing today.

While large corporations might provide the manufacturing and scale to power our economy forward, our small-business industrial base provides the agility and innovation necessary to keep us leading the world. Our ability to protect the supply of entrepreneurs from government over-regulation and being crowded out by larger companies, who have a greater ability to tip the regulatory scales, will be crucial to the United States' ability to compete on the world stage in every industry.

In the fiscal year 2020, the SBA announced that the federal government exceeded its small-business contracting goals, with $145.7 billion in federal contract dollars, up $13 billion from the previously year. And, while that number may sound good, it hides the fact that the number of small businesses contracting with the federal government is actually rapidly shrinking.

One reason for this almost-40-percent decline in the government's small-business vendors is increased regulation and consolidation of contracts.

Last year, Chairman Dean Phillips of the Oversight Committee and I held a hearing over the DOD's new cybersecurity assessment framework versus Cybersecurity Maturity Model Certification. And while the intent behind the framework was good, it left many small-business contractors scrambling trying to navigate massive compliance manuals, while large contractors could simply rely on their large legal teams to meet the new requirements.

And if you want to talk about how important it is to have people come up here and actually testify, this guy held up a 3-inch binder that was multiple inches thick, and he says, "For me to be able to implement this, I am going to have to hire a team of people. It is going to cost me about $100,000. And I, as a small-business owner, do not have those margins. Think about what you are doing when you pass these. For large corporations, no big deal. But for the small businesses, this is something that we cannot do."

So I guess my first question is going to be to Ms. Askew.

In your view, when competing for contracts with the federal government, is the scale tilted too far toward companies with greater compliance resources instead of businesses with the best product?

Ms. ASKEW. Thank you for that question.

We are actually engaging right now in deciding how we are going to manage the maturity model that we are required to comply with in order to continue to win contracts.

And so, for Circuit Media, we really had to—you know, you are making a day-to-day decision about, am I going to do this or that? And, you know, the 3-inch binder is no joke.

And so our position has been, how can we continue to compete but still be able to pay our bills? And that has really been, you know, something that you think about on a daily basis.

Ms. VAN DUYNE. Does anybody else on the panel want to weigh in on that question?

Mr. ALBA. Yeah, I will say a couple things dealing with regulations. Some of them are written so broadly and so vaguely, and it is really unfair.

I mean, I deal with False Claims Act defense work as well, and I have situations right now where: Someone has a firm-fixed-price contract. The contract is not clear what that firm fixed price is for. And they billed the government on a firm-fixed-price basis. And the Department of Justice is now coming after them because they said, well, certain work wasn't done. It was firm-fixed-price.

And so how is someone supposed to figure out what "firm fixed price" means if it doesn't mean firm fixed price? It is things like that that are causing needless problems for our small businesses.

Ms. VAN DUYNE. Ms. Hart?

Ms. HART. From a proposal standpoint—so I have been working on federal proposals for over a decade now, and I have never seen a request for proposal that was actually straightforward, that didn't involve a very large conversation on "what does this mean" several times.

There are amendments that are put out that are ambiguous, that don't answer questions, that just say—when you ask a three-part question, their answer to that three-part question is "yes," and it is, "yes" to what? And that is a common occurrence. That happens all the time.

So I would say, absolutely, as someone that does support vendors in this, absolutely, there is a lot of time and money spent on us just figuring out what is being asked.

Ms. VAN DUYNE. I don't know if we have another witness up there. If she wants to——

Ms. CASEY. Yeah. I would echo what Ms. Hart and Ms. Askew have said. The number of regulations when you are bidding on one of these proposals, it is extremely complex. Newer small businesses don't understand what some of these compliance requirements really mean. And you have to go through so much compliance to just put in the proposal, and then you have to make sure you comply during delivery.

So I would say that the proposals could be significantly simplified and less complex. We have seen attempts to do that through SAM.gov. But I would say, you get one thing that gets better and three things that get harder, in terms of compliance and proposals.

Ms. VAN DUYNE. Thank you. And I appreciate your—I appreciate your input. We had actually introduced a bill that would look at SBA, and any regulation that you add, it would have to be budget-negative or budget-neutral. I hope we can move forward with that bill.

But I thank all of the witnesses for your testimony today, and I yield.

Chairwoman VELÁZQUEZ. The gentlelady yields back.

Now we recognize the gentleman from Minnesota, Mr. Stauber, for 5 minutes.

Mr. STAUBER. Thank you, Madam Chair, and thank you, Ranking Member Luetkemeyer.

I just want to follow up on my colleagues' questions.

Under this administration, there has been an additional $201 billion of additional regulations on small businesses.

The four of you said exactly what we have been talking about. You cannot continue to punish the small businesses across this country. As a former small-business owner, that was one of the most devastating things that happens to small businesses.

We always talk about "the engine of our economy is our small businesses." In anywhere, main street, USA, our small businesses employ our friends and neighbors and make our economies grow. And this administration added an additional $201 billion to that.

Mr. Alba, can you comment on those regulations? You just talked about some of them. How destructive are they, and how cumbersome?

Mr. ALBA. So I think it probably depends on which regulations. You know, some are there to protect the government or protect others.

But there are certainly a lot of issues that are very ambiguous. And the ambiguities, I think, are really what creates most of the additional cost——

Mr. STAUBER. Right.

Mr. ALBA.—because they have to ask people like me what the heck something means.

And sometimes the answer is “I don’t know.” Like, what is the totality of the circumstances? How am I supposed to determine what I am supposed to do if an agency bases what I am doing as whether legal or illegal on a totality of the circumstances?

Mr. STAUBER. Right. Right.

Ms. Askew, would you like to comment on these additional $201 billion of regulations that are stifling and destructive to small businesses? What is your comment?

Ms. ASKEW. Well, I would agree with Mr. Alba about the ambiguity. I think that anytime you can provide clear and concise information so that you can actually respond and respond accurately—because every time you don’t respond accurately, it is counted against you.

Mr. STAUBER. Right.

Ms. ASKEW. And so being able to, I think, really look at the ambiguity and try to look at, you know, the language of what they are asking you to do would be very valuable.

Mr. STAUBER. Ambiguity, bureaucracy—same thing here.

So, recently, the House passed my bill, the Strengthening Subcontracting for Small Businesses Act. This bill will help incentivize prime contractors to comply with small-business subcontracting goals.

To our witnesses: As we continue to study and examine federal contracting and subcontracting issues, where should we focus our attention?

Ms. Hart, go ahead.

Ms. HART. So, from my perspective, it would actually be providing more transparent data behind that. That information is currently not accessible and not reviewable for accuracy.

So I think focusing on that—because there is a lot of reporting structured around that, but no one really knows what is being collected and how it is being collected and if it is being reported accurately by prime contractors.

So I think talking to maybe subcontractors——

Mr. STAUBER. Right.

Ms. HART.—about that and making sure that they are being represented correctly and that maybe the prime is not overinflating how much support they are giving would be a great place to start.

Mr. STAUBER. Ms. Askew?

Ms. ASKEW. I think being clear about the work performed. Often, on these small-business plans, what ends up happening is that you might be part of that team but you never see the work.

And so I think, to that point of having clarity and accountability and transparency, that would be really valuable, because you aren’t sure—although you might list a small business, you aren’t sure that they are actually getting to be able to perform the work.

Mr. STAUBER. Right.

And it is well-known that there are high administrative costs associated with competing for and winning a large contract. Can you speak to your experience with this?

And do you believe that the federal government acknowledges the unintended consequences these contracts have on small businesses?

And, Ms. Askew, I will ask you first again.

Ms. ASKEW. Yes. Thank you. I am not sure if they acknowledge the amount of work that is required. I can certainly talk about the impact that it has on the small business.

Mr. STAUBER. Please. Go ahead.

Ms. ASKEW. Being able to, you know, go back to your day-to-day operations and you are trying to, you know, manage a team and move your company forward and be successful, being able to adequately respond and to be involved in a contracting environment with the federal government really does take, you know, wherewithal and tenacity and all of the things that we do as small businesses, but being able to manage that and manage all the other things is really a difficult feat.

Mr. STAUBER. Thank you. My time is out.

And to the witnesses, thanks for your comments, and we appreciate that.

Madam Chair, I yield back.

Chairwoman VELÁZQUEZ. The gentleman yields back.

The gentleman from New York, Mr. Garbarino, is recognized for 5 minutes.

Mr. GARBARINO. Thank you, Chairwoman, and to the Ranking Member for holding this hearing today.

Actually, I wanted to follow up on my colleague Mr. Stauber. He just asked a question about, do you believe the federal government acknowledges the unintended consequences, the administrative costs associated with competing for and winning these large contracts, the effect on a small business?

And, Ms. Askew, you answered that question, but I want to let the other witnesses.

Ms. Hart, you talked about the administrative costs in your testimony, as well as some of the other witnesses. So I want to open that up to you, Ms. Hart, first, and then maybe the other two witnesses to talk about that.

Ms. HART. So, like a lot of this, I think the answer is: It depends.

Every contracting officer that puts out these requests for proposal, I think, has a different understanding of the practices of a government contractor. We most certainly communicate with a lot of them back and forth or have, kind of, you know, off-the-record conversations, and it ranges anywhere from they absolutely recognize the commercial practices and the cost of this, to ones who very much believe that we already have something put together and we are able just to slap it into a template and submit it.

I think that is shown when requests for proposals are released on Fridays before holidays—on Christmas, on New Year's, and things like that—as well as the administrative costs for, you know, 25 amendments and what that means.

So I think the answer is, it depends, since this is such a human-to-human type of selling process.

Mr. GARBARINO. I appreciate that answer.

Ms. Casey?

Ms. CASEY. I think that some in government understand the unintended consequences and others don't.

I think, though, senior government officials are really measured by their compliance to Category Management and say, We are meeting our Category Management goals, we are meeting our small-business dollars, so we are doing great; we are meeting our small-business dollars. But they are not measured on, like, how large the small-business piece is and whether it is shrinking or it is growing.

So I think figuring out how to measure based on the size of the small-business space and its growth is also another metric that is critical for these agencies that are involved in major procurements.

Mr. GARBARINO. I appreciate that. It sounds like they are just checking a box if the money is getting out the door, you know, and it might not actually be doing all it is supposed to be doing.

Mr. Alba, did you have anything to add?

Mr. ALBA. I think—I am not sure if the consequences are actually unintended. I think some of it is in order to reduce competition and reduce the number of proposals and things that have to be reviewed.

The entire Category Management system is structured, I think, to look focusing primarily on reducing administrative burden as opposed to actually getting the best products. And I think that is part of the issue.

Mr. GARBARINO. I appreciate all those answers. And it definitely paints a picture from what I have been hearing from some of my small businesses.

Ms. Hart, I wanted to follow up with something that—I have to tell you, your testimony that you submitted was very detailed. I appreciate it. And you detailed in it numerous governmentwide acquisition activities, and you also outlined the number of protests associated with each.

Why do you believe you are seeing these levels of protests?

Ms. HART. So that might be a better question for Witness Alba. But what I do believe and what I see is: Because the business life depends on it. You need it to survive. So, if you aren't given that award, your business might go under. And so, in order to keep that alive or keep those task orders running, protesting sometimes is the only way that you can do that to continue revenue streams.

Mr. GARBARINO. Mr. Alba?

Mr. ALBA. Yeah, I think that is the number-one reason. Everything is do or die. And so it is the criticality of the requirement that is probably driving it more than anything else. Which is why things like on-ramps or rolling admission, things like that, I think, would greatly lessen that issue.

Mr. GARBARINO. Okay. I appreciate it.

So, Mr. Alba, just a followup for you. As we continue to look at this and study—as Members of Congress continue to look at this and study, examine federal contracting issues, if there is one thing—it is probably more than one thing, but if there is one thing we should absolutely focus on, what is it?

Mr. ALBA. I think the big thing is clarity, and clarity in the regulations, and probably reducing the discretion of contracting officers in the process. Because that allows contracting officers to do things without any rhyme or reason.

Like, for instance, requesting reconsideration of small-business status after—like, you are a year into the procurement. They have submitted proposals maybe a year ago you are still evaluating. You suddenly ask for recertification for some option or some amendment, and then people who submitted a year ago are no longer small. They wasted all those dollars, and they are thrown in the trash.

Mr. GARBARINO. I appreciate it.

I am out of time. I yield back.

Thank you to all the witnesses.

Chairwoman VELÁZQUEZ. The gentleman yields back.

I would like to thank our witnesses again for appearing before the Committee today.

It is clear from your testimony that governmentwide contracts have changed how small firms do business with the federal government. While its goals are worthy, they are also forcing small contractors out of the marketplace and impeding new entrants.

Today's hearing has not only shed light on the significant challenges that small contractors face, but it also has put forward potential solutions.

I just want to acknowledge that this is an issue that falls also under the jurisdiction of Government and Oversight.

I look forward to working with my colleagues on both sides of the aisle to advance policies that ensure small businesses have meaningful ways to contract with the federal government.

Without objection, Members have 5 legislative days to submit statements and supporting materials for the record.

If there is no further business to come before the Committee, without objection, we are adjourned. Thank you again.

[Whereupon, at 11:44 a.m., the Committee was adjourned.]

APPENDIX

THE PULSE OF GOVCON

Testimony of

Amber Hart

Co-Founder and Co-Owner
The Pulse of GovCon, LLC

House Small Business Committee

"Are Governmentwide Contracts Helping or Hurting Small Contractors?"

June 14, 2022

Chair Velazquez, Ranking Member Luetkemeyer, and Members of the Committee, thank you for the opportunity to testify before you today. My name is Amber Hart, and I am the Co-Founder and Co-Owner of The Pulse of GovCon LLC. The Pulse of GovCon is a small, self-funded, women-owned business focused on empowering Government Contractors and breaking down barriers across the contracting ecosystem by bridging the fundamental gaps surrounding federal procurement. In addition to The Pulse, I serve as an active member of the Professional Services Council (PSC), am the President Elect of Women in Technology (WIT), and I sit on the advisory board for the Center for Government Contracting at George Mason University (GMU). I also received a Bachelor's degree in International Conflict Analysis and Resolution from GMU.

The Pulse focuses on telling the full U.S. federal procurement story by taking complex federal procurement information, developing actionable insights, and delivering critical context to the Government Contracting Industrial Base and its stakeholders. We consider ourselves students of industry. Every day we work at the ground level supporting contractors in responding to Requests for Proposals (RFPs), identifying opportunities, and educating the workforce by sharing our personal lessons learned gained over our collective decades of experience. Our day-to-day involvement has allowed us to not only observe the impacts of Governmentwide Acquisition Contracts (GWACs) on our Small Business clients, but to actively participate in the realities of strategic sourcing initiatives (i.e., Category Management) and its unintended consequences.

As a Founder and Owner of a woman-owned small business that supports Government Contractors ranging from new entrants to Fortune 100, the topic of this hearing is important to me and extremely relevant to our mission. I appreciate the opportunity to describe how Category Management (CM) and governmentwide contracts relate to the concerning trend that the Small Business base is decreasing at a rapid rate, thereby narrowing competition in the marketplace and limiting innovative solutions to the government.

Over the last six years, we have seen a move to consolidate federal procurement pathways under the CM initiative. Small Businesses spend tens of thousands of dollars trying to secure a place on specific GWAC Best-in-Class (BIC) contracts because they know their survival in this marketplace could depend on it.

Today, I will offer some considerations and data that I urge you to consider as your Committee evaluates the impact of governmentwide contracts, CM, and potential changes to the current process. They include:

- **Formally and Legally Define BICs.** The mixed messages surrounding these procurement vehicles, which are meant to simplify acquisition, has instead devolved into chaos. The standardization of BIC criteria, how it's managed, and how Small Business contractors get a spot on these contracts is of critical importance.
- **Create Governmentwide IDIQ's with Explicit Technical Focus.** Unfocussed contract vehicles with never-ending technical functional areas often yield protests and provide very little funding to Small Businesses. GWACs with more explicit technical focuses, such as GSA OASIS SB, are more viable long term.
- **Encourage Stand-Alone Contracts with a Purpose.** Implementation of a one-size-fits-all approach across the entire federal government is limiting and detrimental to federal agencies.

This strategy not only limits the flexibility of agencies to pursue unique solutions but could also further prevent access to innovative Small Businesses.

To understand the full impact of CM and strategic sourcing, one must first understand the historical context of pertinent initiatives. The concept of federal strategic sourcing was initially introduced in 2005 through an Office of Management and Budget (OMB) memo, which led to the establishment of the Federal Strategic Sourcing Initiative (FSSI) by the Chief Acquisition Officers Council (CAOC) in collaboration with the Office of Federal Procurement Policy (OFPP).[12] In 2014, OFPP under OMB, announced its CM initiative (an evolution of FSSI) to further streamline and manage entire categories of spending across the government to act more like a single enterprise. Both initiatives were established to accomplish the same goals: achieve significant savings, decrease administrative redundancy, and improve business intelligence while meeting or exceeding small business and sustainability goals. CM meant to succeed where FSSI failed – in the implementation, utilization, and adoption of GWACs.

Under CM, GWACs serve as the motivating force through the utilization of BIC solutions across a variety of federal agencies. BICs allow CM to achieve its objective to buy "as one" by consolidating all requirements into a limited number of preferred governmentwide contracts and thereby increasing procurement efficiencies for the federal workforce.

However, these collective initiatives have resulted in less access and transparency into government procurement activity and opportunities, and has increased requirement bundling, vendor consolidation, and market uncertainty. The unintended consequences of strategic sourcing and governmentwide contracts impact the critical elements that sustain the Government Contracting Industrial Base – competition, innovation, and economic stimulus. These consequences have been felt by businesses of all sizes in industry, but have proven to be detrimental to the Small Business contractor community.

In a world of uncertainties, Small Businesses just want clarity by way of clear, concise, and consistent regulations to ensure compliance. However, mixed messages and the usage of these procurement vehicles meant to simplify acquisition have proven catastrophic to small businesses and their bid & proposal (B&P) bottom line. With limited resources and demands on time and money in the bidding process, cancellations can prove costly to small firms that have dedicated months and years to their contract capture efforts. This is demonstrated through recent governmentwide acquisition activities summarized below:

BIC Vehicle Name	Status	Ceiling/Potential Dollar Value	Est. Procurement Action Lead Time (PALT)	# of Protests	Impacted # of SB Vendors
GSA Alliant 2 Small Business (A2SB)	Canceled	$15B	>601 days	14	>81

[1] "Federal Procurement: Smarter Buying Initiatives Can Achieve Additional Savings, but Improved Oversight and Accountability Needed"
[2] "Office of Federal Procurement Policy Strategic Sourcing | The White House"

GSA 8(a) STARS III	Awarded	$50B	>347 days	5	>1,047
HHS NITAAC $40B CIO-SP4	Source Selection	$40B	>780 days	27	>358
GSA Polaris	Paused	$15B	>569	25	TBD

GSA A2SB: 601 days after being released on June 24, 2016, A2SB awards were made on February 14, 2018. 14 protests were filed following the award, ultimately leading GSA to cancel the procurement on July 2, 2020. Task orders were moved elsewhere, and the many firms who invested 18 months of time and resources into the bidding process were left empty-handed. As a result, Small Businesses were denied access to a critical federal market. Large businesses, however, have retained access to this market through Alliant 2.

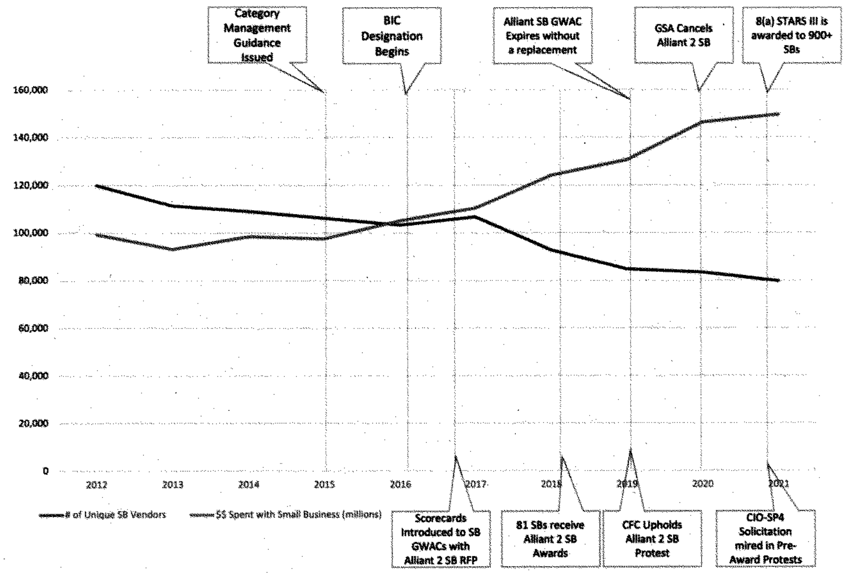
GSA 8(a) STARS III: Nearly 1,000 Small Businesses have been awarded an on-ramp to STARS III. A pool of this size not only overwhelms contracting officers, but also encourages aggressive price competition amongst firms. As a result, there is an overemphasis on price and insufficient consideration of quality. Further, although the contract was successfully awarded, STARS III also received five protests, one of which remains ongoing.

HHS NITAAC $40B CIO-SP4: CIO-SP4 has been mired in challenges since its initial draft release, with more than 24 RFP amendments being made between May 2021 and February 2022. These challenges have been further exacerbated by the 27 filed protests that have necessitated bidders revising and/or resubmitting proposals. Though CIO-SP4 was meant to absorb some of the task orders from the failed A2SB procurement, those have now gone elsewhere as well. In turn, Small Businesses are once again losing access to the market while also contending with ever-rising proposal costs.

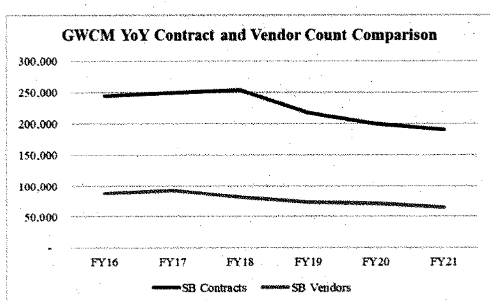
GSA Polaris: First introduced on November 17, 2020, and paused on April 8, 2022 (only 15 days after the RFP was released) Polaris has already received more than 25 protests. Though the contract is meant to support the growth of Small Businesses, contract experience requirements greatly limit accessibility. In its current form, successful firms must either be prolific in the IT market or must partner with enough other firms such that collective experience rivals that of large businesses.

Colloquially, industry now refers to these governmentwide contracts as "Biggest in Class" rather than "Best in Class." That is because to receive a contract award on one of these GWACs, a Small Business Prime must either be one of the biggest players in the market or team up with enough companies to turn into one.

Further, per data furnished by GSA's GWAC Dashboard, the government simply isn't utilizing available BIC Small Business contract vehicles. In FY21, awards to Other than Small Businesses on Alliant 2 totaled nearly 6x the combined spending on Small Business vehicles GSA 8(a) STARS III and GSA VETS 2. Further, Small Businesses won fewer than 2% of dollars awarded on Alliant 2 in FY21. These data indicate that a move towards greater use of BIC vehicles will result in a drastically reduced number of awards to Small Businesses across the federal enterprise.



There was a noticeable shift in the market when BIC designation began in 2016. Though Small Business spending has increased in the total market throughout the subsequent years, the number of Small Business vendors has steadily declined. This indicates that fewer and fewer Small Businesses have been successful in accessing, competing, and remaining in the market since the shift to BICs. Consequences of this squeeze include increased consolidation of Small Business firms (<1,000 employees) through private equity (PE) and/or other acquisitions, diversification into commercial or foreign markets, and decreased ability to support and grow an internal workforce required to compete in the market.



At its core, strategic sourcing initiatives minimizes channels for acquisition and reduces lanes where contractors can supply services and products. Since its establishment in FY16, CM has resulted in a 26.32% decrease in Small Business vendor utilization across BICs. This is nearly identical to its predecessor (FSSI) which shrunk the office supplies industrial base by 26% over six years.[3] Furthermore, the number of Small Business contracts awarded under BICs and CM has decreased by 22% over the past six fiscal years. **Simply put - Small Business dollars have increased but have been consolidated into a shrinking competition pool through fewer vendors and fewer contract opportunities.**

GWCM YoY Contract and Vendor Count Comparison						
	FY16	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**
SB Contracts	244,700	249,100	253,800	217,400	199,700	190,200
SB Vendors	87,400	92,600	80,900	73,200	70,300	64,400

Data Source: https://d2d.gsa.gov/report/small-business-dashboard

Formally and Legally Define BICs

The Government Contracting Industrial Base relies heavily on the Federal Acquisition Regulations (FAR) to provide a set of rules and definitions to keep procurement fair and equitable. However in the development of BICs, the federal government forged ahead – without a FAR definition or quantifiable selection metrics – by evaluating and selecting from their personal collection multiple award contract (MAC) vehicles. To support these vehicle selections, OMB released the following subject criteria in lieu of a definition. To be a BIC, the contracts must have:

- Rigorous requirements definitions and planning processes;
- Appropriate pricing strategies;
- Data-driven strategies to change buying and consumption behavior (i.e., demand management);
- Category and performance management strategies;
- Independently validated reviews; and
- Government-wide or multi-agency availability.

In 2019, OMB issued M-19-13 which stated, *"Initial designations of BIC contracts have been based largely on demonstrated use of strong contract management strategies. Designations will become more outcome-based as prices paid, performance and other information about agency vehicles within a given category becomes more readily available."*[4] Three years later, and no further attempt at definition has been made.

Standardization of BIC criteria, how it's managed, and how Small Business contractors receive a seat is of critical importance. This includes establishing individual definitions for the Federal Civilian and the Defense markets. Current BICs are all over the map when it comes to important Small Business factors like size standard recertification, bid requirement (i.e. Cybersecurity Maturity Model Certification [CMMC], Defense Contract Audit Agency [DCAA] compliant accounting system, etc.), performance/experience qualifications, on/off-ramp timelines and

[3] "Strategic sourcing: Evolving or devolving?"

[4] March 20, 2019 M-19-13 SUBJECT: Category Management: Making Smarter Use of Common Contract Solutions and Practices

procedures, and how the set-asides are tracked. Standardizing this gives predictability and lowers the barriers of entry by lowering the tuition for "GovCon 101."

Create Governmentwide IDIQs with Explicit Technical Focus

As cited above, one of the most important pieces of the BIC criteria is having *"rigorous requirements definitions and planning processes."* Meaning that any BIC should have specific service and/or technical focus areas. However, most BICs are now being created to support the broadest spectrum possible creating requirements gymnastics for all bidders. For example, GSA Polaris is supposed to serve as GSA's future Small Business GWAC of record to deliver complex IT services. The performances areas laid out in the final RFP (2022) do encompass these types of requirements such as cloud services, cybersecurity, and system design but in RFP Section C.5 the government does also list out ancillary support services including supplies and construction – which do not consistent complex IT.

Vague contract vehicles with never-ending technical functional areas often result in protests with very little funding ever making it to Small Businesses. This creates two distinct consequences. First, the bundling and consolidation required by CM (strategic sourcing) has required the industry to buy competitors or buy into a sector to increase revenue, and mergers and acquisitions reduced the number of Small Businesses eligible for Prime contracts. Second, in the end, it's very likely that the same vendors will be on GSA Polaris, as well as on HHS CIO-SP4, and most of them also on GSA 8(a) STARS III – with no differentiation between the focus areas of the vehicles. As a result, the government does not gain access to a wide range of solutions and services from the actual federal marketplace.

BIC Contract Vehicle	# of Task Orders	Total Obligations (FY18 – FY22)
OASIS SB	1,283	$17B
HcaTS SB	165	$242M
VETS 2	159	$749M
CIO-SP3 SB	1,331	$5.8B

Governmentwide contracts with more explicit technical focuses, such as GSA OASIS SB, are more viable long term. With tailored scopes and a more focused vendor set, these types of vehicles provide customers with a clear understanding of how they can be used to acquire services.

Encourage Stand-Alone Contracts with a Purpose

Implementation of a one-size-fits-all approach across the entire federal government is limiting and detrimental to federal agencies. One of the goals of federal procurement is to receive the best value products and/or services to support the achievement of the agency's mission by maximizing commercial products/services, promoting competition, and awarding contracts that minimize risk. CM, however, can potentially limit an agency's ability to achieve this objective if the agency is required to use certain acquisition vehicles, and therefore only the contractors on those vehicles.

This strategy not only limits the flexibility of agencies to pursue unique solutions but could further limit access to innovative technologies and processes from companies that are not current contract holders.

The federal government needs to consider developing entry-level, focused vehicles that help springboard smaller companies into the marketplace on smaller, more focused efforts and programs. Small Businesses need the opportunity to build federal Prime contractor experience, and it doesn't have to be in support of a $25M task order with ten different scope areas. Vehicles that don't require mentor-protégé or Joint Venture (JV) arrangements are required to build that Prime portfolio for real Small Businesses.

While agency-level, stand-alone contracts are considered a step below BIC, they still fit into the overall CM framework. If government customers are hesitant for the administrative burden of managing these stand-alone contracts, Congress should focus on addressing this for them to encourage this for their benefit.

Conclusion

Surviving and thriving in this marketplace is not easy for any vendor, but it is made especially difficult for Small Businesses who could prove real value to our country. The move to CM, further contract consolidation, shrinking contracting offices, bundling of requirements, and the strict focus on socio-economic spending dollars vs. the quality of the small business requirements being competed, has had a significant impact on Small Businesses in the federal market.

These impacts coupled with the crushing administrative costs required to respond to each one of these BICs has unintentionally created a quandary between the federal government and Small Businesses – and some of them are choosing not to navigate these hurdles at all.

The U.S. economy is firmly dependent on healthy market competition. Competition for federal contracts breeds innovative solutions and passes on cost savings to the taxpayer. To increase competition there must be equal opportunity to contribute to each agency's unique missions. The federal government has implemented various avenues to stimulate usages of socio-economically diverse business owners (8(a), WOSB/EDWOSB, SDVOSB, HUBZone, etc.). Without these and further considerations, entrepreneurs, non-traditional contractors, and Small Businesses may flounder in the wake of large business conglomerates.

If the federal government wants Small Businesses to continue to thrive in the market, we need to re-think how new, innovative, and qualified players can enter the market while structuring vehicles that allow agencies to procure the right solutions that truly fit their mission needs.

On behalf of The Pulse of GovCon, I thank you for your attention to this important issue. As always, I am available at your convenience to address any questions or concerns the committee has now and in the future. I will try to answer any questions you may have.

PILIERO MAZZA

Testimony of

Isaias "Cy" Alba, IV

Partner

PilieroMazza PLLC

House Committee on Small Business

"Are Governmentwide Contracts Helping or Hurting Small Contractors?"

June 14, 2022

Thank you for the opportunity to present the Committee with the following issues and concerns that we have seen over the past few years from our small business clients. My name is Isaias "Cy" Alba, IV, and I am a Partner at PilieroMazza PLLC.

PilieroMazza PLLC is a law firm with a strong national reputation. Located in Washington, DC, Annapolis, MD, and Boulder, CO, our clients operate throughout the United States and around the world spanning virtually all industries. Many of our clients are government contractors, while others are commercial businesses, tribal entities, nonprofit organizations, trade associations, and foreign companies. We work with both small organizations, for which we often function as a virtual in-house counsel, to major enterprises where we work hand-in-hand with the company's general counsel. Now in our fourth decade, PilieroMazza is committed to providing superior, responsive service that consistently exceeds our clients' expectations–because we believe nurturing your business is the key to our success. We accomplish this through sophisticated legal and business guidance in a diverse array of industries and subject matters. Examples of our services include procurement-related protests and litigation; establishing joint ventures, mentor/protégé arrangements, and other corporate transactions; mergers and acquisitions; employee training and handbooks; and internal compliance audits. We also help both experienced and new government contractors navigate the complex regulatory maze before various civilian and defense agencies.

In addition to government contracting, we provide our clients with a full range of legal services including corporate, labor and employment, and litigation matters. In these areas, we routinely assist clients with mergers and acquisitions, internal investigations, business and joint venture formation, employee training, agreements, and handbooks, Service Contract Act and other labor law compliance, and civil litigation, among many other matters. Our clients value their ability to obtain a diverse array of legal guidance from our experienced team of attorneys. We keep our clients abreast of the issues that matter most to them through *The Weekly Update*, *client alerts*, and frequent informational seminars and webinars. Several times a week, we update our blog, *The PM Legal Minute Blog*, which provides trending insights to small and mid-sized businesses. We provide this broad range of services with a focus on results, responsiveness, and cost efficiency. This sets us apart from other law firms and has allowed us to develop and cultivate many long-standing relationships. In fact, many of our clients have been with the firm since its inception. We are also proud members of the Montgomery County Chamber of Commerce GovConNet Council, serving as general counsel, and I am on the board of the Bowie Business Innovation Center – which provides the only 8(a) Accelerator program directly on the campus of a Historically Black College and University – Bowie State – and which recently received a $3M grant, spearheaded by Senator Cardin and Senator Van Hollen in order to replicate the program nationwide to support the growth of even more 8(a) small businesses.

I greatly appreciate the opportunity to and would be happy to work with the Committee in any way I can to support statutory changes that can better serve the small businesses who make up the foundation of our economy. This is especially true for small business federal contractors, as the federal contracting landscape is difficult to traverse and companies must invest a great deal of time and money into ensuring they are compliant with the myriad of laws and regulations that govern federal contracting and, as a nation, we do not want to lose the small businesses who are knowledgeable about federal contracting and who have already expended the resources to ensure compliance. It is very difficult for new companies to enter the federal market and for that reason every small business federal contractor must be protected.

As the mandated use of Best-in-Class ("BiC") contracts and large Governmentwide Acquisition Contracts ("GWAC") has grown, so have the concerns of small business federal contractors who see their work swept up into these large vehicles where the incumbent small business may not even have a spot or where their work is consolidated with multiple other requirements taking it out of reach of the incumbent small business and forcing them to team with other companies or, worse, become a subcontractor where their fate is dictated by a prime contractor who they may have never worked with and do not trust.

In other cases, the incumbent small businesses feel forced in finding a mentor under the Small Business Administration's ("SBA") Mentor-Protégé Program ("MPP") to go after a specific BiC or GWAC even if the mentor has no interest in providing true support for their company outside of merely bidding on a few contracts. It should be noted that under current SBA regulations a small business is only allowed to have two mentors in the life of their company. Thus, if one of the mentor opportunities is thrust upon the small business because of necessity to get on one of the BiC or GWAC vehicles simply to keep their incumbent work, that "burns" one of their two mentor-protégé opportunities for the entire existence of that company. In these situations, the small business is often required to give up a good portion of their work share to have a mentor agree to team with them and, in addition, the mentors may also not provide overall company support the small business would need to grow and develop.

This is further exacerbated by the fact that many of the GWACs and BiC vehicles use a form of "self-scoring," which was established by the General Services Administration ("GSA") as a means to attempt to reduce bid protests, not by making a more fair and equitable procurement but, instead, by trying to game the legal system to make it more difficult for protesters simply trying to protect their rights and require the federal government to follow the law, from having standing under the bid protest rules of the Government Accountability Office ("GAO"). The irony is not lost on many small businesses that the Government "Accountability" Office's own rules are being manipulated by GSA in order to avoid scrutiny or review (i.e., "Accountability") by the agency specifically created to provide oversight of these exact situations through the bid protest process. Even in that task, however, GSA's "self scoring" strategy has failed. These GWACS and BiC contracts are still being protested because the stakes are so incredibly high. I have had clients note that if they miss the opportunity for one of these major vehicles, their entire pipeline could dry up and that it is not unlikely their businesses could cease to exist in a few years. This risk is increased as more agencies terminate current contracts for convenience or refuse to exercise options despite the fact that the contractors are currently performing well, just so they can move their spend to BiCs per their agencys' directives.

These, along with a few other issues noted below, are the key concerns that our small business clients have expressed on numerous occasions—all surrounding the short-sighted decision by agencies to force Category Management and the theoretical cost savings it may bring, without thinking about the serious negative consequences on small businesses and, as a result, our entire industrial base. That said, as also noted below, GWACS and BiC contracts, or really any Indefinite Delivery, Indefinite Quantity ("IDIQ") contract, can be beneficial to small businesses or graduate to help bridge the gap between small business set-asides and the cutthroat full-and-open procurement space.

I. GWACS and IDIQ Contract Vehicles Are an Important Tool for Small Business to Survive Growth into Midsize

It is well established that small business federal contractors face serious challenges after they "graduate" from their small business status. Under SBA's rules, however, if a firm secures a spot on a multi-year IDIQ or standard contract, the company remains eligible to receive options and orders under such contracts until the company is required to recertify its size and status as the end of each five-year term under a contract with more than a five-year period of performance. Thus, by way of example, if a small business organically (meaning through growth of its own revenues through its own efforts, not via acquisition of other firms) outgrows its size standard one year after securing a spot on a BiC contract, that firm can continue to perform on that contract, and bid and win new task orders, for four more years (until the end of the five-year period under the contract).

This is a critical component of many small businesses' growth strategies and how they plan to bridge the gap between competing only with small businesses and having to go "cold turkey" and start competing with firms multiple times their size. For instance, the size standard attached to some North American Industry Classification System ("NAICS") codes could be $8M. Once that company's five-year average revenues reaches $8,000,000.01, they are no longer considered a small business the following year. This means that they are then forced to compete with firms that may have revenues of $10M, $10B, or $100B. There is no differentiation. This obviously creates serious pressures on such firms because they do not have the same economies of scale as larger firms, they cannot afford to lose millions to secure a new customer, they do not have the same level of bid and proposal support, and they simply lack the resources to bid and win the same level of prime contracting opportunities. However, small business GWACS and IDIQ contracts can serve as a bridge to help these firms survive.

Specifically, as noted above, the small businesses who organically grow can still bid and win small business task orders under GWACS and other IDIQ contracts they were awarded until the next recertification period. This means that companies who outgrow their size standards with a few years left on such vehicles, can use that time to invest in management teams, proposal teams, and other resources to give them a fighting chance at survival as they cross into the "Valley of the Shadow of Death" known as the mid-tier. While GWACS and BiC contracts do have major downsides to those on the outside, they can be very beneficial to successful small businesses to ensure they survive to become true competitors in the full-and-open environment where they can continue to contribute to the broadening of the industrial base—the exact purpose of the Small Business Act.

II. Mentor-Protégé Relationships Can Be Helpful, But Can Present Challenges when Competing Against Lone Small Businesses

In addition to the ability for small businesses to survive the struggles of graduation into the mid-tier through strategic use of GWACS and other IDIQ contracts, the SBA's MPP is also an extremely important tool. The SBA's MPP allows mentor firms to work with small business protégés to help the protégés grow and develop while allowing the mentor firms' protection from being found affiliated with the protégés (which would, in turn, potentially make the protégé a large business and no longer eligible for set-aside procurements or assistance). For the mentor, it also provides additional access to small business contracts in the form of joint ventures ("JV") to perform the work. JVs are usually reserved for only a group of small businesses, but through the SBA's MPP, large business mentors can be members of JVs and perform up to 60% of the work performed by the JV members themselves.

While, at first, this may seem problematic, this allows for newly "graduated" small businesses to become mentors to nascent small business and still hang on to some of the revenues for their incumbent work. Without this opportunity newly "graduated" small businesses whose incumbent work was up for recompete could lose the opportunity to bid entirely, or be relegated to the role of a subcontractor, which also creates a risk of loss of the work to prime contractors seeking to capture more and work of the workshare over time. So long as the mentors are truly providing the support to the protégé firms that was promised in the Mentor-Protégé Agreement ("MPA"), this helps both the protégé firm to grow and the mentor firms from disintegrating. Again, this helps ensure that "graduating" small businesses are not simply replaced by new small businesses as they die on the vine, while also ensuring that the next generation is able to get a leg up. Both of these goals further broaden and solidify the industrial base, exactly the purpose of the Small Business Act.

That said, the MPP is not without its faults. As the Committee has undoubtedly heard, many small businesses who do not wish to be forced in mentor-protégé relationship may feel the need to do so to compete. This is especially the case when it comes to large IDIQ contracts like GWACS and BiC contracts. In cases where Mentor-Protégé Joint Ventures ("MPJV") are made up of brand-new protégés and very large mentors, that may be the best example of where the non-mentor-protégé small business' frustration is derived. In such cases, the protégé itself may have no experience at all and so it relies entirely on the mega-mentor (say billion-dollar entities). Further the MPJV in this case can use the experience of the mentor performing massive projects that no small business could ever perform, the mentor likely has an approved purchasing system – another item that few, if any, small business could secure, and it provides a host of other advantages. In such cases I can understand the frustration from small businesses but there could be solutions, such as requiring the protégé firm to provide at least one past performance and corporate experience reference, or some percentage of the references, for every GWAC or BiC proposal. That way the protégé must show that it is bringing something to the table other than its status.

Further, perhaps you could have some differentiation between mentor-protégé teams or MPJVs with newly graduated small businesses, or those under a certain size threshold versus mentor-protégé teams with mentors above the threshold. A certain number of awards or a certain percentage could go to the teams with very large mentors versus those with mid-tier mentors. You could also have a specific number of contracts that are reserved for all-small business teams. This way the small businesses who wish to avoid the mentor-protégé relationships could still secure a spot on the GWAC or BiC contract. There are likely many other options or a revamping of the mentor-protégé rules, and this very question may benefit from a Committee being established to evaluate the matter in more detail and make recommendations to SBA about regulatory changes or direct legislative changes to tackle the complex issue.

III. Self-Scoring Systems Fail to Identify the Best Small Businesses Capable of Performing Work on Any Specific Task Order

Moving into the key problems with GWACS and BiC contracts, the Self-Scoring systems used by many of these procurements is seriously flawed and fails to meaningfully identify the best small businesses to perform work on any given task order to be issued under the contract vehicle.

As an initial matter, the fact awardees are selected by who has the highest number points across the broad spectrum of requirements encourages firms to cobble together vast teams to simply check the boxes without regard for whether or not the end users—the procuring agencies themselves, will actually get the best contractor to perform the specific, and far more narrow, task order for which they are soliciting to meet the agencies' needs. By way of example, if you created a GWAC or BiC vehicle for "construction services," this may include carpentry, painting, electrical work, plumbing, concrete work, etc. The awardees of this GWAC will be those firms who can satisfactorily show some level of skill or experience in all of these areas. Then, when an agency needs a painter, and due to policies requiring or heavily suggesting the use of BiC contracts, the agency Contracting Officer ("KO") is compelled to issue a task order for paining from only the GWAC holders—essentially general contracting companies. When the award is made it goes to a government contractor who may be "satisfactory" when it comes to painting but may be using builder-grade materials to just get the job done. All the while, the perfect small business who focuses primarily on painting never had a prayer at securing a spot on the GWAC as they just want to be the best painting firm.

In this case, the government agency is forced to work with, potentially, sub-par painters because they were part of an amalgamated team to be able to do everything, at some level, but perhaps not excelling at anything. So by merely focusing on who can amass the most points across a broad spectrum of requirements the self-scoring has the propensity to exclude those firms who are highly specialized and may not want to form JVs or serve as merely subcontractors to more general companies. This does not seem to be the most beneficial use of taxpayer funds. I understand that the self-scoring system may reduce some administrative burden on KOs, reduce the number of proposals, allow for thoughtless exclusion of companies simply by simple mathematical equations, but is that truly how one should be choosing the best painter?

I would submit that in focusing so heavily on reducing administrative burden, the GWAC and BiC self-score protocols have lost sight of making sure that taxpayer dollars are spent not only efficiently, but effectively—to secure the best value for the public. Instead, we now have very large contracts where the government can go and buy a huge variety of goods and services, perhaps with less administrative headache and without having to worry about pesky competition—as Congress supposedly mandated under the Competition in Contracting Act—but at what cost?

GWACS and BiC Contracts should arguably have pools for each and every specific good and service required. Companies should be allowed to bid all or some of the pools, depending on their specific skill sets. Indeed, this is exactly how the GSA Schedule programs already work, so we already have a templated program in place to access both the best company in any given area and reduce burden without having to resort to mindless exclusion of qualified firms using nothing but elementary school math to determine how best to use taxpayer resources.

IV. Other Possible Solutions and Suggestions to Bolster Small Business Participation in Federal Procurements

Given that GWACS and BiC contracts are not inherently problematic, there are some options that could be employed to have them work better for small businesses:

First, the GWACS and BiC contracts could have more frequent on-ramps, perhaps every year or two. This would allow more small businesses to participate and not lose out on a full five or ten-year vehicle. This would greatly reduce the stress on companies to secure a spot on these large contracts and reduce protests, bid costs for small businesses, and avoid locking-out firms who come into existence mid-period before any on-ramp. It would increase competition on the vehicle, which would increase the value received by the government, and be far more consistent with the mandates in the Competition in Contracting Act. As noted above, protests would likely decrease at the vehicle stage because it would not be as critical to secure a spot at any given time, and the contracts could be perpetual. So instead of having SEWP I, II, III, IV, V, VI, etc. you would only have SEWP, and it would last as long as the government continues to need the goods and services thereunder. Each category could have a specific GWAC, you could still require recertification of size and status every five years, and the companies could easily come on and off of the vehicle ad dictated by the market not arbitrary dates.

Second, prohibit moving requirements that have been set-aside for small businesses outside of a GWAC / BiC / IDIQ contract onto such a contract without performing an impact assessment of how the incumbent contractor and the small business community, generally, would be impacted by the move. Just like when an agency is attempting to remove an 8(a) contract from the 8(a) program, so too should some impact assessment be made when an agency decides to move something out of the general small business competition area and onto a specific vehicle. I cannot count the number of times I have had small business owners beg for help when requirements their companies have performed for sometimes 20 years are suddenly moved onto some IDIQ vehicle that the incumbent contractor does not possess. KOs then tell the small business to "just find someone to team with," ignoring the fact that that may mean giving up 50% or more of the workshare and the employees that company may have employed for decades. Unfortunately, in most cases, little can be done as such a decision is left to the broad discretion of a single person—the KO—without care for how it will impact the incumbent, their employees, or the quality of the work. Instead, it is all about minimizing administrative burden for that one person.

Third, it should be made clear that the "Rule of Two" applies to task orders issued under IDIQ contracts under Federal Acquisition Regulation ("FAR") Part 16 as well GSA Schedule Contract task orders under FAR 8.4. Currently, it is the position of most agencies that the "Rule of Two"—the rule requiring that anytime two or more small businesses are capable of performing the work at a fair and reasonable price that the requirement must be set-aside for small business participation—does not apply to the decision to issue a task order under IDIQ contracts or GSA Schedules. Thus, I have had cases where a KO has decided to arbitrarily remove a requirement from an incumbent small business and place it on a large business IDIQ (specifically Alliant II Large Business). When we protested that decision the GAO ruled against us stating that the "Rule of Two" does not apply to IDIQ task orders issued under FAR Part 16. Weeks before GAO made this ruling, the U.S. Court of Federal Claims ruled exactly the opposite. Frustrated and without the desire or capability to spend more resources taking the protest to the COFC, the small business lost a multi-million dollar task order to a large business merely due to "Category Management."

I submit that Congress should act to codify the "Rule of Two" and mandate that for any procurement, of any kind, under any authority, agencies must follow the "Rule of Two" and determine whether the procurement should be set-aside for small businesses. Otherwise, KOs will continue to exploit this loophole and harm small businesses while enriching the largest companies.

Fourth, remove KO discretion to seek recertification of small business size or status at the task order level on IDIQ contracts—there should be a single rule governing small business status so that companies bidding on IDIQ contracts can plan and fully evaluate the long-term value of the contract prior to expending hundreds of thousands of dollars on proposal efforts.

Under SBA regulations, small businesses are required to recertify, primarily, any time there is a merger or acquisition, or within 120 days of the end of the fifth year of any long-term contract that lasts longer than five years. This is the general recertification rule. However, the rule has left open the possibility that a KO, at any time and for any reason, can require companies to recertify their size or status for any task order issued under an IDIQ contract. In theory then, a small business could spend hundreds of thousands of dollars on a proposal for a large IDIQ contract, knowing that it will be a small business at time of proposal (the time size is generally determined). This allows a small business to plan when and how to spend its bid and proposal dollars. If a KO is allowed to use their discretion to demand recertification for any or all task orders under an IDIQ contract, that completely upends the cost-benefit analysis the small business offerors perform before bidding on small business IDIQ contracts. This wastes scarce small business resources on worthless procurements all due to the whims of a single individual. This is like having a speed limit which says 65 MPH and then in the fine print notes "unless otherwise determined by a police officer who pulls you over." This type of system is entirely arbitrary and, I submit, flies in the face of the purpose of all good laws and regulations—which is to allow businesses and individuals to understand the bounds of the law and to predict how their behavior will be treated by the law before they take action or spend resources.

To allow KOs to make this determine on a task order-by-task order basis, is simply unreasonable and, in the worst cases, can be used by a KO to pick favorites or knowingly request recertification to disqualify contractors who they may have some personal animus towards without any recourse from the otherwise eligible small businesses. For these reasons, Congress should eliminate this discretion by statue.

Fifth, there could be floors to any task order planned to be issued under a GWAC or BiC contract. For instance, perhaps any procurement with a total anticipated value of less than $5 or $10M cannot be solicited using an IDIQ contract vehicle. This would force the government to open the procurement up to additional competition and, at this size, would also make it more likely that the "Rule of Two" would be met and the procurement would be solicited as a small business set-aside.

Sixth, the HUBZone price evaluation preference helps level the playing field for HUBZone firms in full-and-open competition, as well as affords federal agencies greater opportunity to devote federal spending to HUBZone firms. Regrettably, federal agencies have interpreted FAR 19.1304 as prohibiting the price evaluation preference to task orders. Federal agencies should amend their interpretation to follow the law as Congress intended. As the federal government increasingly drives its spending through governmentwide IDIQ contracts, a significant opportunity for HUBZone spending is being lost because the HUBZone price evaluation is not being applied in the award of task orders. Recent House passage of this Committee's bill applying the price preference, H.R. 5879: *HUBZone Price Evaluation Preference Clarification Act of* 2021, would significantly benefit the SBA, federal agencies, HUBZone firms and the communities they serve.

Lastly, and perhaps the most substantial change, would be to make the GWAC or BiC contracts work more like GSA Schedules—where the "open enrollment" for the contract is constant. New companies are always welcome to submit proposals to get onto the vehicles and those proposals are evaluated by a team of personnel on a rolling basis. The task orders themselves would still be solicitated in the same manner under FAR Part 16, but securing a spot on the vehicle itself would not require a mad dash by small business as they only have one opportunity, perhaps for the next 10 years, to secure a spot on a contract that may swallow all of their incumbent work and work they have been tracking for some time. This will lessen the criticality of the initial bidding period, which will reduce protests at the initial award stage of the IDIQ Contract itself to avoid having to deal with problems like GSA faced with Alliant II Small Business.

arcAspicio

Statement of Lynn Ann Casey

Chief Executive Officer, Arc Aspicio

"Are Governmentwide Contracts Helping or Hurting Small Contractors?"

Committee on Small Business

U.S. House of Representatives

June 14, 2022

Chairwoman Velázquez and the Members of the Committee on Small Business, thank you for the invitation to testify on behalf of small businesses. As the Chief Executive Officer (CEO) of Arc Aspicio, a woman-owned small business that has provided innovative professional services to the Federal Government since 2008, I appreciate the opportunity to discuss how Government-wide contracts (GWACS) are helping or hurting small businesses.

As the founder of a woman-owned small business that is certified by the Small Business Administration (SBA), the topic of this hearing is important to me and very relevant to my company and other established and new small businesses. I have the unique experience of watching the changes in policy around Government-wide contracts as we developed into an established, proven small business who has invested significant money in, won, lost, and successfully deliver on task orders.

Arc Aspicio is the prime contractor on a Best-in-Class (BIC) Government-wide vehicle called the Human Capital and Training Solutions (HCaTS) Pool 2 Small Business with the General Services Administration (GSA) and Office of Personnel Management (OPM). We also are a prime contractor on the GSA Multiple Award Schedules (MAS). As is common with many small businesses, we started off with subcontracts, then won prime contracts under the MAS before we qualified to prime and win HCaTS.

Arc Aspicio is also a Mentor in the Small Business Administration (SBA) Mentor-Protégé program, where we mentor **2ndWave LLC**, an 8(a) company and service-disabled veteran-owned small business (SDVOSB) and are providing advice and support to grow their presence.

Reduction of Competitive Opportunities for Small Businesses

While Category Management (CM) broadly helps the Federal Government increase procurement efficiencies, our company has seen it reduce the total number of small businesses and the number and type of opportunities that are available for small business to compete on. This, in turn, reduces the innovation that small businesses can offer to the Government.

We have unfortunately seen many opportunities shift to Government-wide contracts designated as BICS and have had significantly fewer small business opportunities to bid on contracts under MAS. *Essentially, Government-wide vehicles shift the small business designated opportunities to the small pools of winning contractors, rather than attracting competition from the diverse array of companies under the GSA MAS schedules.* This dramatically reduces opportunities for newer small businesses who seek their first opportunities as a prime contractor after proving themselves as a subcontractor. It also reduces opportunities for established small businesses who are high performing incumbent contractors – pushing re-compete opportunities to BICs and not allowing small businesses to re-compete their current work. This also makes agencies transition to new contractors since their incumbents cannot re-compete; this increases administrative burden and mission risk for these agencies.

Small businesses should be allowed to compete on a follow-on contract. This spurs competition, lowers prices, and fosters innovation and continuous improvement.

Cost of Pursuing Government-wide Contracts

Arc Aspicio also seen the cost to pursue Government-wide contracts grow substantially. For example, we estimate it costs us $60,000-$100,000 for each proposal in addition to the costs of quality certifications such as the Capability Maturity Model Integrated for Services (estimated at $75,000+) and ISO 9001-2005 (estimated at $60,000+ and requiring costly annual audits.) Then, award timeframes typically take one to two years or longer, delaying the ability to bid as a company awaits a contract award. Many of these vehicles including the recent CIO-SP4 and GSA Polaris have seen extensive protests leading to delays and, potentially, cancellation like Alliant II Small Business. Pursuing these Government-wide contracts also takes substantial attention from company leaders and staff that could instead be focused on building company capabilities and serving clients to build up experience.

The GSA MAS schedules are much less expensive, ranging from $10,000-$20,000 to pursue. This is expensive, but far more affordable for small businesses, especially those new to the market. These GSA MAS schedules provide excellent opportunities for small businesses to compete on specific task orders in their area of expertise and build up much-needed prime contractor experience before bidding on a major contract. However, agency-level policies on Category Management do not consider GSA MAS Best-in-Class and so many small businesses simply don't have the opportunity to even compete.

Government-wide Contracts and Mentor Protégé Joint Ventures (JV)

Arc Aspicio and our Protégé 2ndWave LLC have felt negative effects and have seen a reduction in the number and scope of opportunities available for us to pursue competitively. As a small+small Joint Venture (a JV between two smalls where one is larger and more experienced), we may also have the opportunity to pursue Government-wide vehicles such as the GSA Polaris Information Technology contract, which is currently on hold due to protests. While we plan to pursue later iterations set aside for SDVOSB, our small-small Joint Venture has a significantly lower chance of winning because Polaris is limiting the number of awardees. It is most likely that Large Business-backed joint ventures will 'crowd out' and take up all the spots for small businesses who want to bid without a joint venture or small+small joint venture.

Some small businesses do not want to start a JV, as they have their own capabilities and the ability to run Government-wide contracts and lead multiple task orders without relying on a small business. Aspicio, with 18 years of experience, does not want to join a JV with a very large company who may try to control proposals or impose their own bureaucratic policies on how the JV operates. We want to flexible and innovative, adjusting to Government needs quickly. However, the trend in Government-wide contract solicitations is favoring these Large Business-backed JVs and limiting the opportunity of us as an established small business to bid alone.

Small+small JVs, however, have tremendous potential. Senior executives from the large, more established small can assist the emerging small in building company processes, build new capabilities, and prepare these emerging small businesses to compete as prime contractors in the future. The Committee should explore opportunities to incentivize these JVs, while at the same time providing oversight of Large Business-backed JVs.

Our experience shows an increasing number of Large Business-backed JV where the Mentor essentially takes on the major functions of running the JV as if they were the controlling partner. This includes leading proposals, leading task orders, and making the decisions on behalf of the JV. In fact, this reduces the opportunity for the Protégé small business to gain valuable experience and does not achieve the goals of the Mentor Protégé program to build up the small business. Oversight is needed to prevent these situations and to monitor how these JVs are operating to make sure the Proteges are fully capable.

Unintended Consequences of Government-wide Contracts and Category Management

The rise of Government-wide contracts and policies that mandate the BICs reduce Government access to many of the most innovative small businesses and new entrants. Growing the small business base, especially through GSA MAS, benefits the Government and economy including:

- More competition on set aside requirements
- More innovation in the solutions with broader access to diverse small businesses
- Lower prices and higher value as the result of increased competition

Ideas and Recommendations

1. **Recommendation 1:** Consider incentives to more established small businesses to mentor newer, smaller small businesses such as use of extra credit for small+small JVs through additional evaluation credit on task order awards or when these JVs bid on Government-wide contracts. Consider changes to the Small Business Administration Mentor-Protégé program to encourage small+small JVs. Reduce the revenue that can flow to Large Business through their JVs to less than 50% or cap it after the first three years of contract performance for any Government-wide contracts the JV has won
2. **Recommendation 2:** Provide oversight to the Small Business Administration on how they monitor and approve extensions to existing Mentor-Protégé agreements. Conduct a study to evaluate the success of the Mentor-Protégé agreements in place to improve the program including evaluating how much additional revenue is going to small businesses and the impact on the supplier base. Specifically monitor whether the Small Business Lead of a JV with a large business under the SBA Mentor-Protégé program is in control of program and is building their capacity, rather than their Mentor taking over control.
3. **Recommendation 3:** More use (through more flexible policies) of the GSA MAS to support smaller entrants to the market and small business incumbents who want to bid on their re-competes. Encourage the OFPP to consider policy changes to include the GSA Multiple Award Schedules that apply to professional services contracts and special item numbers and are held by small businesses to be included as Best in Class Solutions (Tier 3). GSA Schedules are critical contract vehicles for small businesses to win their initial prime contracts and build their capabilities to support larger contracts effectively.
4. **Recommendation 4:** Evaluate the unintended consequences of Government-wide contracts on the supplier base of small businesses of these contracts and associated Category Management policies and practices. Evaluate how many of the limited spots on Government-wide contracts are going to Large Business-backed JVs.
5. **Recommendation 5:** Promote more frequent on ramps to Government-wide vehicles. Simplify the bidding process reduce cost for small businesses to bid. Consider grants or incentives for small businesses to invest in company-wide quality certifications.
6. **Recommendation 6:** To continue to support the growth of the small business supplier base, follow up with the Small Business Administration (SBA) to increase the small business size standards. Explore further increases to small business size standards beyond this current SBA proposal to remain current with economic and market trends.

Written Testimony of

Rebecca Askew

Owner and General Counsel
Circuit Media

On behalf of

The Women's Procurement Circle

House Committee on Small Business

"Are Governmentwide Contracts Helping or Hurting Small Contractors?"

June 14, 2022

Chair Velazquez, Ranking Member Luetkemeyer, and Members of the Committee, thank you for the opportunity to testify before you today.

I am testifying on behalf of the Women's Procurement Circle (WPC). WPC advocates for policies that strengthen women-owned companies that do business with the federal government. Women fought for 11 years to get the women-owned small business (WOSB/EDWOSB) federal contracting program in place, and an additional 2 years to get sole source authority for the program. Yet, the federal government has only met its 5% goal for contracting to women twice since the goal was established in 1994. Increasing awards to women-owned businesses requires advocacy and education. The Circle provides a much-needed place where women contractors can participate in growing their federal contracting businesses, become advocates for regulatory and legislative changes, and participate in a nationwide network of successful women business owners.

As a recent entrant to the realm of governmentwide contracting vehicles, my testimony will provide insights into the resources required by a small business to adequately respond to governmentwide contracting opportunities. Like many entrepreneurs, I started Circuit Media out of my Denver, Colorado basement in 2002, with a focus on providing clear and concise communications to law and government. Since then, Circuit Media has grown from a commercial enterprise to a strong supplier of goods and services to local, state, and federal governments. Based in Denver, we also have an office in Washington, D.C. and dozens of employees across the country. With a diverse background in communications, creative services, and staffing, Circuit Media assists clients in creating cost-effective, concise, and compelling deliverables.

Circuit Media had the opportunity to participate in the Small Business Administration's (SBA) 8(a) Business Development Program. This program afforded us numerous opportunities to learn and develop expertise in the federal contracting arena. As we entered the "Transitional Stage" of the program, our strategic plan for growth focused on differentiating our company through the continued use of set-asides. These include leveraging Circuit Media's Women-Owned Small Business (WOSB), Economically Disadvantaged Women-Owned Small Business (EDWOSB), Women's Business Enterprise (WBE), and Disadvantaged Business Enterprise (DBE) status; competing on local, state, and regional contracting opportunities; and responding to Multiple Award Schedules (MAS) and governmentwide contracts through the General Services Administration (GSA). We have recently responded to and been awarded contracts on both 8(a) STARS III Governmentwide Acquisition Contract (GWAC) and the One Acquisition Solution for Integrated Services (OASIS) Small Business pool. In addition, we responded to – but were not awarded – a contract on another GSA government wide vehicle, Human Capital and Training Solutions (HCaTS). These governmentwide vehicles contain varying NAICS codes; the goods and services offered to the government don't typically overlap. This means that if a company has a variety of goods and services to offer the government, it may need to respond to multiple indefinite-delivery/indefinite-quantity (IDIQ) governmentwide contract vehicles to effectively cover the organization's offerings.

For a small business to respond to an IDIQ requires making the difficult decision to forego other possible growth opportunities in favor of the IDIQ. This is due to the significant time, money, human capital and other resources needed to adequately respond to the proposal. The response consists of hundreds of pages over multiple volumes, not including the pricing proposal, which includes dozens of pricing categories. In Circuit Media's experience, we dedicate at least one full time proposal writer and one part-time financial analyst to manage the bulk of the submission. This removes these individuals from their normal work responsibilities, meaning other team members need to double up responsibilities. There are usually multiple amendments and changes to the original solicitation, which demands extraordinary attention to detail and record keeping, as errors or omissions are considered deductions in the evaluation of a proposal.

We have previously utilized third-party vendors to help us with submissions, the cost of which was approximately $20,000 per IDIQ. These hired companies don't write your submission – that is still a company's responsibility – they are available to offer templates and guidance based on past experience. It is a financial hardship for us to dedicate both employee and financial resources to an IDIQ response.

It is important to note that winning a slot on a governmentwide IDIQ contract in no way guarantees a company will win work with a federal agency. It only allows you the ability to compete for opportunities released on the IDIQ. You must still prepare a successful response to each request for quote. I liken it to getting a fishing license; you have the opportunity to throw your line into the water, but no catch is assured.

I would like to spend a moment discussing our recent experience responding to the GSA IDIQ, HCaTS. The purpose of this contract is to provide government agencies a method to procure staffing and training services from companies. Since Circuit Media provides staffing services to the government, we felt it was necessary for us to respond. In contrast to previous IDIQ responses, our HCaTS response was only 360 pages, detailed over 5 volumes. Our pricing included 168 different rates. Circuit Media spent hundreds of employee hours preparing our response. The proposal had to be physically mailed to New York City and would only be accepted on DVD+R discs (2 copies). We submitted our response on March 20, 2020, the day we closed our offices due to the pandemic.

After submission, our first communication with GSA occurred in December 2020, 9 months later. Due to the significant length of time that had passed, GSA changed components of the evaluation criteria, which they applied retroactively. This post-submission change in evaluation resulted in our company missing the award cutoff by 100 points, from a possible 28,470 points. After all the time, energy and dollars put into going after a slot on this contract, the outcome was extremely disappointing for our team. Although we did not decide to protest, this is another significant cost small businesses consider when going after these vehicles. Systemic issues make a difficult situation even more challenging, including the Contracting Officer's Representative (COR) subjectivity, which is why Circuit Media was left out of HCaTS. Agencies and CORs often fail to realize that delays or amendments to the contract can be seismic shifts for small businesses – truly making or breaking their ability to win work.

My experience points to the need for simplification on the agency front. With respect to policy, Congress can assist women in being more successful in securing government contracts by adopting a number of changes. The Women's Procurement Circle suggests the following actions:

Increase Awards to Women-Owned Businesses: The federal government has a goal of awarding 5% of all contract dollars to women-owned small businesses (WOSB/EDWOSB). Although the women's procurement program was implemented in 2011, the government has only met this goal twice. Many federal agencies simply do not utilize the program. According to a recent CRS report, in FY2020, 34% of the federal contracts awarded to WOSBs were awarded in full and open competition, about 61% were awarded with another small business preference (8(a) and the HUBZone program) and only 5% were awarded through the women's procurement program. Congress, the SBA, federal agencies and women-owned businesses must work together to increase contracts awarded to women through this program. We applaud the work of this Committee and specifically Representatives Claudia Tenney (NY-22) and Chrissy Houlahan (PA-06), to pass H.R. 7670, the *Women-Owned Small Business (WOSB) Program Transparency Act*. Metrics established in this bill will enhance transparency and gather necessary data on women-owned small business contract awards and the barriers these businesses face in the federal contracting process.

Additionally, despite the difference in economic requirements to participate in the WOSB and EDWOSB programs, there is not a dedicated contracting goal on SBA's procurement scorecard for EDWOSBs. To be eligible for participation in the EDWOSB program, participants must meet income and net worth requirements. Given the current emphasis on encouraging new entrants into the federal market and increasing awards to disadvantaged businesses, we believe that a separate contracting goal for EDWOSBs would incentivize federal agencies to maximize the utilization of these firms. Further, the WOSB goal should be raised from 5% to 10%. As outlined in the President's Executive Order on advancing equity and a subsequent memo from the Office of Management and Budget (OMB), increasing the goals for women-owned contractors is part of the Administration's priorities. Increasing federal contracts to WOSBs results in creating a more dynamic and resilient industrial base, of which these firms are an important part.

Maximize Women-Owned Business Awards on Governmentwide Contracts: Since 2014, the Executive Branch has organized its buying practices for commongoods and services – making up about 60% of total Federal contract spending – using the stewardship principles of category management (CM). Due to the growing popularity of CM, the government has begun to favor large, long-term contracts, in lieu of smaller, direct contracts. For example, Best-in-Class (BIC) contract spending totaled a record $51 billion in FY2020, up 74% since FY2016. No one disagrees with the importance of efficient government buying and saving the taxpayer money. However, CM comes at a greater cost. These long term governmentwide contracts require substantial resources to bid and win task orders, creating a barrier to entry for many innovative small businesses to enter or remain competitive in the federal marketplace. Fewer small business awards limit the supply of vendors to the government, as well as restrict the ability of small businesses to grow through federal contracting. BIC vehicles have had a crippling effect on small business competitive opportunities. For example, approximately 25,000 small businesses provide IT services to the government, however, for OASIS Small Business Pool 1, only 30 slots are available. That means that less than 0.12% of all small IT businesses are allowed to compete for prime opportunities on this BIC. To add more opportunities for women-owned companies, we applaud the GSA for adding a WOSB track to the pending Polaris contract, an action women have been advocating for since the enactment of the WOSB program in 2011.

Expand Sole Source Contract Opportunities for Women-Owned Businesses: As government buying continues to move away from direct contracts to small companies and into large contracts, the authority contained in the WOSB program to award sole source contracts is more crucial than ever. Additionally, the small business industrial base has been shrinking over the past 10 years. Analysis of agency data reported in the Federal Procurement Data System (FPDS) finds similar trends regarding the small business supplier base at large, including a loss of 49,000 small businesses (or 38% of small businesses) in the federal supplier base since 2010.

Limits on sole source awards to individually owned 8(a), Historically Underutilized Business Zone (HUBZone), Service-Disabled Veteran-Owned (SDVOSB) and women-owned small businesses has contributed to this decline. Currently, sole source awards to these socioeconomic groups can only be awarded at a total of $4.5/$7.5 million (manufacturing) over the life of the contract. For a 5-year contract, that equates to less than $1 million a year. Given that the size of a typical government contract far exceeds this amount, as well as the justification required to award a sole source through these programs, contracting officers simply do not devote the time to making these small awards. Thus, dollars are falling away from small businesses and are increasingly awarded through larger contract vehicles and vendors. There are countless examples of small businesses missing out on sole source awards because the contract awards exceed the current sole source thresholds. Further, creating parity among SBA socioeconomic contracting programs would incentivize agencies to increase their awards to women.

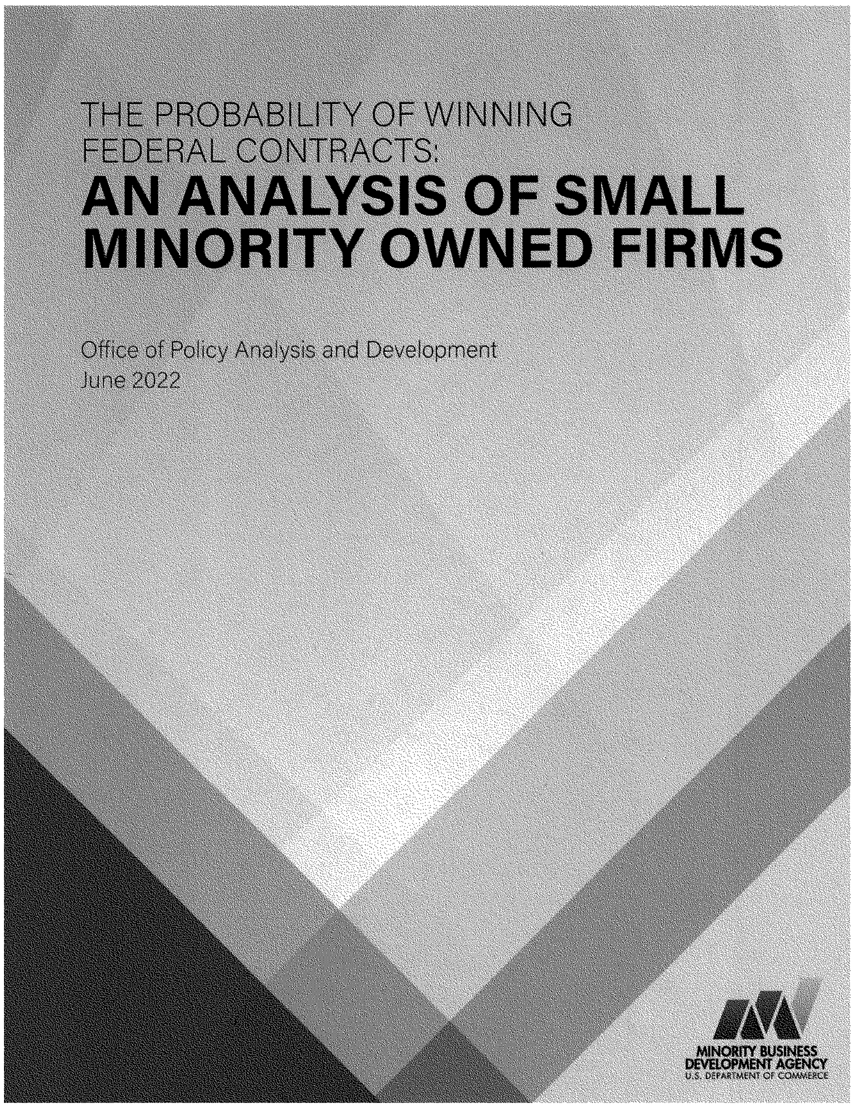
Both the House and Senate Small Business Committees have attempted to increase sole source thresholds and bring them more in line with government buying. The House passed H.R. 190 in the 116th Congress, which eliminated option years and would have allowed for the current threshold amounts per contract year. A draft of the Senate Small Business Committee Small Business Administration (SBA) Reauthorization bill also made changes to the thresholds – raising them to $8/$10 million per year and eliminating option years. Broad bipartisan support for increasing small business participation in the federal marketplace dictates changes are needed to bolster awards to these businesses. Sole source authority is an important tool contracting officers can use to award contracts to WOSBs expeditiously.

Allow EDWOSBs to Have Access to Business Development Tools to Grow & Thrive: The SBA should consider devising a program to give economically disadvantaged women-owned firms the same kind of business development assistance and tools available to individually-owned 8(a) companies. The hallmark of the 8(a) program is its success in assisting economically disadvantaged businesses to grow through the tools and assistance given through the program. Women-owned companies would benefit from similar resources.

Eliminate Double-Counting for Contract Awards: Each fiscal year the SBA issues a procurement scorecard to highlight how agencies perform in meeting their small business goals. Despite failing to meet the 5% goal for women consistently, it is possible that even fewer contracts have gone to women-owned businesses due to inaccurate reporting. Agencies often count the same dollar value towards multiple socioeconomic program goals, even though the contract was not explicitly a set-aside for more than one program. For example, if a contract is set-aside for the WOSB program and the winning company is also a certified SDVOSB, those contract dollars count toward the goals for each of the programs. This practice ultimately inflates the data reported on small business contracting awards. Agencies should report progress toward making awards to small businesses based on how the contract was solicited.

Require Agencies to Fully Utilize Made in America Products: A way to increase government spending with women-owned businesses is to require more products to be American made. The current system allows for far too many waivers from the requirement, enabling federal agencies to claim they can't find the products or domestic manufacturers do not have the capacity to deliver those products. Consistent orders from agencies will spur American manufacturers to ramp up production, thus creating jobs and breaking the reliance on foreign suppliers. This can only be achieved through Congressional leadership and a willingness to insist on Made in America products.

In conclusion, let's face it: the federal government's acquisition practices are geared toward large companies competing on enormous government buying vehicles. Congress continues to require federal agencies to buy from small businesses, especially those that are underserved. Since over 90% of all women-owned businesses are small, women are considered major stakeholders in these policy actions. As federal agencies award less direct contracts in favor of large contracting vehicles, women are largely left behind. Congress and federal agencies should take additional steps to support women-owned companies across our industrial base. Thank you for the opportunity to testify today and I am happy to answer any questions.



THE PROBABILITY OF WINNING
FEDERAL CONTRACTS:
AN ANALYSIS OF SMALL MINORITY OWNED FIRMS

Office of Policy Analysis and Development
June 2022

MINORITY BUSINESS
DEVELOPMENT AGENCY
U.S. DEPARTMENT OF COMMERCE

THE PROBABILITY OF WINNING FEDERAL CONTRACTS:
AN ANALYSIS OF SMALL MINORITY OWNED FIRMS

Daniel Chow, *Senior Economist*
Minority Business Development Agency
Office of Policy Analysis and Development
June 2022

MINORITY BUSINESS DEVELOPMENT AGENCY
U.S. DEPARTMENT OF COMMERCE

Foreword

On November 15, 2021, the President signed the Minority Business Development Act of 2021 ("Act") as part of the Infrastructure Investment and Jobs Act, P.L. 117-58. The Act codifies the Minority Business Development Agency (MBDA) and many of its existing programs for the first time since its inception in 1969. Among many things, the Act calls upon MBDA to conduct research, and collect and analyze data, including data related to the success or failure of minority business enterprises (MBEs). It instructs MBDA to evaluate the impact of federal support of socially or economically disadvantaged businesses and to consult with other Federal agencies and departments to develop policies, comprehensive plans, and specific goals.

MBDA is a longstanding advocate for the utilization of MBEs in public and private sector contracting. In 2016, MBDA commissioned and published a report highlighting contract disparities between minority-owned and nonminority-owned business enterprises in state and local government contracting. Complementing this work, MBDA recently undertook a study to assess federal contracting outcomes for small-disadvantaged businesses similar to the original work conducted in 2012 by Robert N. Rubinovitz, Ph.D., former Deputy Chief Economist, Economics and Statistics Administration, U.S. Department of Commerce.

The recent MBDA study, conducted by MBDA's Senior Economist, Daniel Chow, focuses on the probability of certain classifiable businesses' attainment of federal contracts using more recent Federal contracting data. Consistent with the original study, MBDA's analysis finds that on an industry-by-industry basis, in nearly all cases, ***the odds of non-8(a) minority-owned small disadvantage businesses winning contracts***, all else equal (size, age, legal organization, level of government clearance), ***were lower than the odds of other small firms winning contracts.*** These findings reinforce MBDA's responsibility to assist and support MBEs to seek Federal contracting, in particular through the 8(a) program.

MBDA is pleased to release this study and support the President's Executive Order 13985 *Advancing Racial Equity and Support for Underserved Communities Through the Federal Government*, and subsequent Office of Management and Budget guidance M-22-03 *Advancing Equity in Federal Procurement.*

On behalf of MBDA, we thank Daniel Chow for his expertise and dedication to completing this important work.

Efrain Gonzalez, Jr.
Associate Director
Office of Policy Analysis and Development
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MINORITY BUSINESS DEVELOPMENT AGENCY
U.S. DEPARTMENT OF COMMERCE

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Abstract

Mr. Daniel Chow, Senior Economist in the Office of Policy Analysis and Development (OPAD) of the Minority Business Development Agency (MBDA) at the Department of Commerce is the author of this report. This study reviews data on federal government contracting and assesses the relationship between contracting outcomes for small businesses and the type of ownership of the businesses. The study is limited in scope and evaluates the probability of certain classifiable businesses' attainment of federal contracts in a specific period, including minority-owned businesses and small disadvantaged businesses (including businesses that participate in the Small Business Administration's Section 8(a) business development program).

The present analysis is modeled after an original study conducted in 2012 by Robert N. Rubinovitz, Ph.D., the former Deputy Chief Economist at the U.S. Department of Commerce, Economics and Statistics Administration.[1] In that study, Dr. Rubinovitz analyzed data on government contracts for small businesses for FY 2012 and looked at whether firms that were "small disadvantaged businesses" (SDBs) were more or less likely to win federal prime contracts relative to other small businesses, holding constant various factors that might influence the award of a contract.[2] The study found the odds of winning contracts for SDBs not participating in the Small Business Administration's (SBA) 8(a) business development program are estimated to be roughly 11 percent lower relative to the odds of winning contracts by firms that were not identified as SDBs.[3] The difference was statistically significant at the 95 percent significance level. Minority-owned firms (which include minority-owned small businesses, SDBs that are minority-owned and minority-owned 8(a) participants) had roughly 30 percent lower odds of winning a contract than other small firms.

In 2013, Dr. Rubinovitz provided a subsequent analysis in the *Rothe Development, Inc. v. Department of Defense* case.[4] Using an identical method as in his original 2012 study, the subsequent analysis looked at the relationship between contracting outcomes for non-8(a) minority-owned SDBs compared to all other small businesses. He found that, in virtually all cases, on an industry-by-industry basis, the odds of non-8(a) minority-owned SDBs winning contracts, all other factors being equal (size, age, legal organization, level of government clearance), were lower than the odds of other small firms winning contracts, to a statistically significant degree.

Following the methodology utilized by Rubinovitz in his 2012 study, Mr. Chow studied data on government contracts for small businesses and factors that might influence the award of a contract to determine whether SDBs were more or less likely to win federal prime contracts relative to other small businesses. Using data from April 2019 to August 2020, the study considered the impact on the "odds ratio" of small firms winning contracts, holding other factors constant.

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[1] *See* Report of Robert N. Rubinovitz at 2, *Rothe Dev., Inc. v. Dep't of Defense, et al.*, No. 1:12-cv-00744-KBJ (D.D.C. Jan. 31, 2014), ECF No. 45-2 (hereinafter "Rubinovitz Report").

[2] SDBs are defined as (1) businesses that are 51% or more owned and controlled by one or more disadvantaged persons; (2) the disadvantaged person or persons must be socially disadvantaged and economically disadvantaged; and (3) the firm must be small, according to SBA's size standards. *See* SBA SDB Definitions, available at http://www.sba.gov/contracting/government-contracting-programs/small-disadvantaged-businesses. As shown in Table 4 below, the vast majority of SDBs during the time period relevant to this study are minority-owned.

[3] Some SDBs may be eligible to participate in the SBA's 8(a) Business Development program, which is for certain small businesses that are at least 51% owned and controlled by U.S. citizens who are socially and economically disadvantaged. *See* SBA 8(a) Business Development program, available at https://www.sba.gov/federal- contracting/contracting-assistance-programs/8a-business-development-program. The complete eligibility criteria for the 8(a) program are set out in Title 13 Part 124 of the Code of Federal Regulations.

[4] *See* Rubinovitz Supplemental Report, *Rothe Dev., Inc. v. Dep't of Defense, et al.*, No. 1:12-cv-00744-KBJ (D.D.C. June 16, 2014), ECF No. 64-11.

The analysis of the data found that the odds of winning contracts for SDBs not participating in the 8(a) business development program are estimated to be roughly 37 percent lower relative to the odds of winning contracts by firms that were not identified as SDBs. The difference was statistically significant at the 95 percent significance level. Minority-owned firms (which include minority-owned small businesses, SDBs that are minority-owned, and minority-owned 8(a) participants) had roughly 15 percent lower odds of winning a contract than other small firms.

Overview of Results

As in the prior study, the ultimate question of interest is whether the data show differences in the odds of contracts being won by minority-owned small businesses, especially those identified as SDBs and those participating in the 8(a) program, compared to other small businesses. This study used the logit regression analysis that was implemented in the earlier study to produce odds ratios for the same set of independent variables. The odds ratio is the estimated relationship between the dependent variable (whether a firm wins or does not win a contract) and the independent variables (such as ownership type, type of organization, and firm characteristics).

Table 1 shows that woman-owned, minority-owned, and other veteran-owned firms have lower odds than other firms to win a contract, all else being equal. Most of the standard errors (17 out of 18) in Table 1 are small relative to their estimated odds ratios. The odds of winning a contract for SDBs who do not participate in the 8(a) program is about 37 percent less than for other firms, and this result is statistically significant. Firms in the 8(a) program, in a certified HUBZone, or owned by service-disabled veterans have statistically significant and larger odds of winning a contract. The firm size and age ratios favor the larger and older firms, reflecting their greater likelihood at competing for and thus winning contracts. Among ownership types, partnership, corporate not-tax exempt, and corporate tax-exempt firms had lower odds and were statistically significant. Sole proprietorship was the only group that had odds that were not statistically significant. The type of security clearance held by a firm had a strong positive effect on the firm's odds of winning a contract, which is understandable because clearances are often prerequisites for competing for many types of government contracts.

Table 2 summarizes the results when the same model is estimated separately for each three-digit NAICS code (Table 5 is a more detailed list of the industry estimates and Table 6 defines the NAICS codes used in Table 5). In about 90% of industries, accounting for over 99% of contracts, non-8(a) SDB firms' odds of winning contracts are lower, all else equal, than other firms. In 50% of industries, representing over 93% of contracts, the odds of winning are statistically significantly lower.

Table 2a shows the same information for minority-owned firms. Minority-owned firms' odds of winning contracts are lower in about 67% of industries, representing over 50% of contracts. In about a quarter (23.6%) of industries, the odds of winning are statistically significantly lower, accounting for 16.8% of contracts.

Methodology

The Rubinovitz study constructed a database of firms that were reasonably expected to compete for federal contracts, along with information on which of these firms won contract awards, firm characteristics, and whether firm owners belonged to a specially identified group for which the federal government has contracting goals. The SBA provided data on firms in its 8(a) and/or HUBZone[5] programs and which were

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[5] SBA's HUBZone program provides federal contracting assistance for qualified small businesses located in historically underutilized business zones in an effort to increase employment opportunities, investment, and economic development in such areas. *See* SBA's HUBZone Program, available at https://www.sba.gov/federal-contracting/contracting-assistance-programs/hubzone-program. The complete eligibility criteria for the HUBZone program are set out in Title 13 Part 126 of the Code of Federal Regulations.

matched to the Federal Procurement Data System (FPDS). In addition, the Rubinovitz study obtained from Bloomberg Government an extract of FPDS data for contracts covered by federal contracting goals for specially defined groups. These sources provided data elements about the form of organization, contract awards, level of security clearance, registration dates, SDB status, industry, race and ethnicity of the registrant (or with which the registrant is affiliated), and ownership type (minority, woman, service-disabled veteran, or other veteran).

Rubinovitz used the logit model of regression to analyze the odds of an event occurring, in this case the odds of being awarded a federal contract. A logit model of regression estimates the relationship between a variable to be explained (the "dependent" variable) and one or more explanatory variables (the "independent" variables). The resulting estimated relationship between the dependent and independent variables is called the odds ratio, which is expressed by the general logit model: $Y = exp^{(\beta * X + \varepsilon)}$. As expressed in this model, Y is the dependent variable; X is one or more independent variable(s) that might explain Y; β is the unknown parameter(s) to be estimated (which measures the degree to which the independent variable(s) is related to the dependent variable); ε is the error term (which represents statistical "noise" of other elements that influence the dependent variable); and $exp^{()}$ is the exponential function. The model was run to obtain estimated odds ratios for winning contract awards in various industries and for a number of different variables.

As in the Rubinovitz study, the independent variables are the ownership of the firm (minority- owned, women-owned, and veteran-owned); the type of organization (whether the firm is a corporation, a partnership, or some other type); other firm characteristics (size, in terms of numbers of employees and revenues, level of security clearance of the firm, and firm age); and whether the firm identifies itself as a SDB and if so, whether the firm is part of the SBA's 8(a) program.

This study follows, to the maximum extent possible, the same methodology and techniques used in Rubinovitz's 2012 analysis. However, this analysis encountered some changed circumstances since Rubinovitz completed his study nine years ago, such as changes in agency data collection and data availability, as well as my independent efforts. This study also uses more updated statistical programming codes that were developed after the Rubinovitz analysis.

Key Elements in the Present Study Data

Availability

Data provided by the SBA originated from the System for Award Management (SAM) for registered companies containing firm-level information such as size, employment, location, dates of operation, industry, and Dunn and Bradstreet data universal numbering system (DUNS) numbers. SBA also provided two datasets from the FPDS for contract awards: one each for small businesses and for non-small businesses. Both the small and non-small business files contain information about business type, organizational type, ownership, dollars awarded, SDB status, and DUNS numbers. The data for registrants and awards were extracted for firms registered in SAM, or that had recorded transactions, from April 2019 to August 2020.

From the original raw datasets, this study compiled a list of relevant variables from both SAM registrants' data (7,466,447 observations and 42 variables) and FPDS awards (5,104,224 observations and 55 variables).

SAM registrant data contains reported six-digit North American Industry Classification System (NAICS)[6] codes and DUNS numbers. Size standards were based on the parent company's six-digit NAICS code as reported in the SAM database. Each company was designated as "small" in each industry if it was small in any of its corresponding six-digit NAICS codes.[7] Firms were designated "not small" if they were not flagged as small in their six-digit NAICS codes. As in the Rubinovitz study, industry-level comparisons were at the three-digit NAICS level.[8] Unique observations for SAM registrants were identified by DUNS number and collapsed by three-digit NAICS code. A given DUNS number may have more than one NAICS code, indicating a firm may register in SAM to compete in one or more industries. Merging and removal of redundant and extraneous observations by DUNS number resulted in a combined file of 5,659,740 registration observations and 64 variables.

Bloomberg Government data, utilized in the Rubinovitz study, were not needed here because the FPDS datasets provided by SBA included the necessary obligations amounts, contract details, three-digit NAICS codes, and business characteristics. For Official Use Only (FOUO) and Freedom of Information Act (FOIA) data were not needed because SBA datasets have the necessary 8(a) and HUBZone (also by DUNS number) identifiers to indicate participating firms in these programs. A separate list of excluded firms was also not necessary because firms excluded from doing business with the federal government were flagged in the SAM dataset and dropped from the analysis.

As in the prior method used by Rubinovitz, this study accounted for firms' expiration and renewal dates for registration in SAM. Unlike the previous study, which covered a single fiscal year, here the expirations/renewals spanned portions of two fiscal years, FY2019 and FY2020, which included firms that were registered in SAM between April 2019 and August 2020. The maximum value of continuous variables was chosen if a firm belonged to a particular group in either year.

Several NAICS industry groups were excluded from the Rubinovitz study because of incomplete data, irrelevance, or because data issues in a given NAICS code prevented the regression model from producing reliable estimates. Among those, three industries were not included in this study for the reasons explained in Table 3: 521 (Monetary Authorities-Central Bank), 814 (Private Households), and 921-928 (Public Administration). The balance of industry groups that were excluded from the prior study were eligible for inclusion in this update because they had one or more non-8(a) SDB firm(s) winning a contract (see Table 3 for these re-included industries).

Table 4 summarizes the owner characteristics of the 32,038 recorded SDBs used in this study. About 88% of SDB owners are self-identified as minority, with roughly equal percentages as non-minority female and non-minority male.

[6] NAICS is a numbering system developed for use by statistical agencies for the collection, analysis, and publication of statistical data related to the U.S. economy. NAICS codes classify business establishments by type of economic activity, process, or production. A NAICS code indicates aggregation levels by the number of digits (2 digit Sector, 3 digit Subsector, 4 digit Industry Group, 5 digit Industry, and 6 digit National Industry).

[7] Size standards vary by industry and are generally based on the number of employees or the amount of annual receipts the business has. *See* https://www.sba.gov/federal-contracting/contracting-guide/size-standards.

[8] As noted in the Rubinovitz Report, as more digits are added to the code, the industry classifications become more narrowly defined and data become sparser. Using three-digit NAICS codes provides a compromise between having sufficient data in each industry grouping with the recognition that firms can switch production within the broader three-digit category. *See* Rubinovitz Report at 4.

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Table 1
Pooled Regression Results

	Odds Ratios
SDB not 8(a)	0.632***
	(0.0100)
8(a)	2.606***
	(0.1013)
woman-owned	0.899***
	(0.0147)
minority-owned	0.858***
	(0.0163)
Hubzone	1.746***
	(0.0662)
service-disabled veteran	1.215***
	(0.0320)
other veteran	0.902***
	(0.0242)
log age	1.167***
	(0.0085)
log employment	1.037***
	(0.0045)
log receipts	1.055***
	(0.0028)
sole proprietor (omitted: "other" orgs)	1.030
	(0.0318)
Partnership	0.753***
	(0.0237)
corporate not tax-exempt	0.820***
	(0.0217)
corporate tax-exempt	0.530***
	(0.1166)
government non-classified	1.630***
	(0.0310)
government confidential	1.993***
	(0.1011)
government secret	1.841***
	(0.0590)
government top secret	2.186***
	(0.0591)
Constant	0.00229***
	(0.0001)
No. Observations	504,819

Standard errors in parentheses: (*** $p<0.01$, ** $p<0.05$, * $p<0.1$)

Regressions

As noted in the Rubinovitz study, because some degree of error exists in regression models, it is necessary to measure the degree of uncertainty between the dependent and independent variables and whether their relationships are statistically significant or not. In the logit regression, which analyzes probabilities rather than continuous values, a statistically significant estimate is one in which the odds ratio is different from the value 1.0.[9] At 1.0, the odds ratio for winning is essentially equal between, for example, a non-8(a) SDB and an 8(a) SDB. An estimate that is not statistically significant indicates the odds ratio cannot be distinguished as being different from the odds of winning a contract with another variable.

Regression analysis using the logit model, plus a variant procedure applied in the previous study called firthlogit, produced odds ratios in similar manner as the original study when using the more recent data. Firthlogit is a variant of the logit model that mitigates problematic situations in which an independent variable is perfectly associated with only one outcome value of the dependent variable.[10] Firthlogit adjusts for possible estimation biases for industries that have a very low contract win rate and in cases where winning or not winning a contract is perfectly or nearly perfectly equal to a linear function of one of the control variables (for example, in industries where no women-owned businesses won any contracts). The firthlogit method minimizes the generation of the extremely large standard errors or highly inflated coefficients that might occur from these perfectly associated relationships during logistic regression estimation.

Pseudo R-squared results are not reported because the firthlogit procedure used in this updated study does not produce them.[11] Pseudo R-squared methodologies vary widely for different purposes. The Pseudo R-squared is one class of R-squared statistics which are measures of the proportion of variance for a dependent variable that is explained by the independent variable(s) in a regression. R-squared values do not measure model adequacy and higher or lower values alone do not fully measure the fit of the model and data. The presence or lack of a Pseudo R-squared or an R-squared does not alter the accuracy or validity of regression results.

One reason that industry regressions might change categories from the Rubinovitz study relates to sample size. The number of observations[12] is a key factor in the size of a standard error, which is used in determining if an estimate is considered to be sufficiently precise to be considered statistically significant.[13] With the large number of observations in this study, the data very likely reflects the odds of winning.

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[9] The statistical significance of odds ratios is determined by calculating their p-values. A p-value is a test for whether a coefficient is equal to zero or not equal to zero. A low p-value (less than or equal to 0.5) indicates the coefficient is not equal to zero and so a statistically significant relationship exists between the response and predictor variable(s). A high p-value (greater than 0.5) indicates changes in the predictor(s) are not associated with changes in the response variable and are not statistically significant.

[10] *See* Firth, D. 1993, "Bias reduction of maximum likelihood estimates." Biometrika 80:27-38; Heinze, G. and Schemper, M. 2002, "A solution to the problem of separation in logistic regression," Statistics in Medicine 21:2409-19. This analysis also used the firthlogit Stata module written by Joseph Coveney to make these estimates. (http://econpapers.repec.org/software/bocbocode/s456948.htm).

[11] R-squared is an equation that measures the proportion of the total percentage of variance attributed to all the independent variables. An R2 value is between 0 (the regression model does not explain any variation in the dependent variable) and 1 (the regression model explains all the variation in the dependent variable).

[12] The Rubinovitz study had a total of 765,163 industry observations compared to the current study of 1,171,497 industry observations.

[13] Statistical significance occurs when the point estimate of the odds ratio, plus or minus the standard errors, are sufficiently far from one. The formula for computing standard errors is inversely proportional to the square root of the number of observations, which means that there is a direct inverse relationship between a larger number of observations and smaller standard errors. Also note that the closer the point estimate of the odds ratio is to one, the smaller the standard errors need to be for the range defined by the point estimate and standard errors to not include one.

One way to see this relationship is to split the industry regression into groups by the number of observations in that industry regression. In Table 5, there are 31 three-digit NAICS code industries with at least 9,000 observations (and up to 177,411 observations). In 27 of these 31 industries with a larger sample size, the estimate for the odds ratios of SDBs is statistically significant (the estimates range between 0.326 and 0.803 and have p-values between 0 and 0.019). Among the industry regressions with smaller sample sizes, there are 17 three-digit NAICS code industries with fewer than 2,000 observations, and in only one of these is the odds ratio on the SDB variable statistically significant (p-value of 0.011, and the estimate of the odds ratio is less than 0.5).

Table 2

Summary Results from Industry Regressions: Difference in Odds of Non-8(a) SDB's* Winning Contracts

	Contracts		Awards		Industries	
Lower odds statistically significant	278,492	93.6%	$47,513,256,560	91.6%	45	50.6%
Lower odds not statistically significant	17,790	6.0%	$4,250,817,536	8.2%	35	39.3%
Higher odds statistically significant	0	0.0%	$0	0.0%	0	0.0%
Higher odds not statistically significant	1,253	0.4%	$112,927,496	0.2%	9	10.1%
Totals	297,535	100.0%	$51,877,001,592	100.0%	89	100.0%

*SDBs are counted once for each industry in which they are registered or won contracts. Percents may not sum to 100% due to rounding.
Data Sources: SAM.gov Entity Registration Records, Federal Procurement Data System

Table 2a

Summary Results from Industry Regressions: Difference in Odds of Minority-Owned Businesses* Winning Contracts

	Contracts		Awards		Industries	
Lower odds statistically significant	50,249	16.9%	$18,453,358,912	35.6%	21	23.6%
Lower odds not statistically significant	103,510	34.8%	$19,657,230,336	37.9%	39	43.8%
Higher odds statistically significant	21,195	7.1%	$8,289,815,552	16.0%	1	1.1%
Higher odds not statistically significant	122,581	41.2%	$5,476,597,760	10.6%	28	31.5%
Totals	297,535	100.0%	$51,877,002,560	100.0%	89	100.0%

*Minority Owned Businesses are counted once for each industry in which they are registered or won contracts. Percents may not sum to 100% due to rounding.
Data Sources: SAM.gov Entity Registration Records, Federal Procurement Data System

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Table 3

Three-digit NAICS Codes Not Included In Analysis:*

Code	Description	Reason Dropped
521	Monetary Authorities-Central Bank	This industry only consists of one entity—the Federal Reserve System
814	Private Households	No SBA small business definition
921-928	Public Administration	No SBA small business definition

* The re-included industries in this study are: 221 Utilities, 482 Rail Transportation, 486 Pipeline Transportation, 487 Scenic Sightseeing Transportation, 491 Postal Service, 522 Credit Intermediation, 525 Funds, Trusts, and Other Financial Vehicles, 533 Lessors of Nonfinancial Intangible Assets, and 551 Management of Companies and Enterprises.

Table 4

Owner Characteristics Among All Small Disadvantaged Businesses

	Number of SDBs	Percent of SDBs
Grand Total	32,038	100.0%
Total Minority*	28,325	88.4%
Black	7,573	23.6%
Hispanic	3,138	9.8%
Asian Pacific	8,623	26.9%
American Indian or Alaska Native	4,490	14.0%
Asian Subcontinent	3,135	9.8%
Not classified	1,366	4.3%
Non-Minority Female-Owned	1,877	5.9%
Non-Minority Male-Owned	1,836	5.7%
Non-Minority Male-Owned in Other Special Categories**	404	1.3%
Non-Minority Male-Owned not in Other Special Categories	1,432	4.5%

*Minority categories may overlap.
**Firms in Other Special Categories are those located in HUBZones, Service Disabled Veteran-Owned, or Other Veteran-Owned
Data Sources: SAM.gov Entity Registration Records, Federal Procurement Data System

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Table 5: Industry Specific Regression Results

	111	112	113	114	115	211	212	213	221	236	237
SDB not 8(a)	0.933	0.601	0.637	0.648	0.690***	0.778	0.936	0.180***	0.506***	0.740***	0.781***
	(0.835)	(0.257)	(0.311)	(0.459)	(0.000)	(0.832)	(0.811)	(0.000)	(0.000)	(0.002)	(0.006)
8(a)	5.515	1.907	2.825	0.405	0.636	583.2*	1.939	0.225*	0.498*	5.340***	3.748***
	(0.116)	(0.705)	(0.236)	(0.630)	(0.144)	(0.056)	(0.280)	(0.096)	(0.098)	(0.000)	(0.000)
woman-owned	0.472	1.255	0.748	0.731	0.748***	2.956	0.867	2.299***	0.945	1.233**	0.878
	(0.117)	(0.619)	(0.580)	(0.619)	(0.004)	(0.208)	(0.661)	(0.002)	(0.760)	(0.015)	(0.174)
minority-owned	0.372*	0.733	2.227	1.100	0.696***	0.712	0.680	1.730*	0.926	0.868	0.494***
	(0.100)	(0.610)	(0.115)	(0.894)	(0.005)	(0.848)	(0.283)	(0.095)	(0.704)	(0.134)	(0.000)
hubzone	1.432	1.085	0.771	8.519*	1.766***	3.125	1.507	0.908	1.253	2.076***	2.887***
	(0.721)	(0.956)	(0.716)	(0.083)	(0.000)	(0.497)	(0.271)	(0.871)	(0.459)	(0.000)	(0.000)
service-disabled veteran	0.916	0.760	1.014	1.106	0.646**	1.637	0.794	0.904	1.154	2.986***	1.381***
	(0.898)	(0.729)	(0.987)	(0.906)	(0.021)	(0.793)	(0.651)	(0.862)	(0.538)	(0.000)	(0.005)
other veteran	0.141	0.199	0.290	0.363	0.670**	3.196	0.397	0.850	0.748	1.174	0.946
	(0.171)	(0.258)	(0.388)	(0.517)	(0.022)	(0.499)	(0.268)	(0.748)	(0.394)	(0.342)	(0.747)
log age	1.513**	0.990	1.698**	0.672	1.371***	2.658	1.209	1.258	1.008	1.240***	1.171***
	(0.017)	(0.961)	(0.027)	(0.177)	(0.000)	(0.118)	(0.209)	(0.133)	(0.915)	(0.000)	(0.001)
log employment	0.852*	1.200*	1.279*	1.086	0.896***	0.506	0.812*	1.063	0.727***	0.919***	0.893***
	(0.055)	(0.064)	(0.076)	(0.754)	(0.000)	(0.102)	(0.061)	(0.535)	(0.000)	(0.007)	(0.000)
log receipts	1.079	0.976	0.913*	1.774***	1.032**	1.320	1.073	1.099	1.203***	1.176***	1.045***
	(0.204)	(0.647)	(0.054)	(0.006)	(0.028)	(0.256)	(0.229)	(0.153)	(0.000)	(0.000)	(0.008)
sole proprietorship	0.998	0.950	1.177	5.729	1.085	0.038	0.638	0.905	0.836	0.589***	0.705**
(omitted: "other" orgs)	(0.998)	(0.946)	(0.828)	(0.270)	(0.595)	(0.104)	(0.405)	(0.865)	(0.592)	(0.003)	(0.048)
partnership	0.538	0.884	1.106	0.570	0.817	0.0330*	0.531	0.465	0.724	0.536***	0.552***
	(0.332)	(0.867)	(0.900)	(0.789)	(0.246)	(0.067)	(0.235)	(0.134)	(0.286)	(0.000)	(0.000)
corporate not tax-exempt	0.703	0.684	0.965	5.073	0.914	0.0228**	0.600	0.545	0.755	0.646***	0.664***
	(0.540)	(0.577)	(0.958)	(0.278)	(0.540)	(0.027)	(0.207)	(0.120)	(0.262)	(0.000)	(0.002)
corporate tax-exempt	5.318	13.130	6.983	44.38*	0.635	0.000	2.071	4.278	2.008	0.0450**	0.0940*
	(0.307)	(0.154)	(0.275)	(0.094)	(0.760)	(0.000)	(0.648)	(0.370)	(0.641)	(0.030)	(0.099)
government non-classified	1.233	1.135	0.945	7.435***	0.969	2.165	0.784	2.558***	1.016	1.579***	1.132
(omitted: no security reported)	(0.754)	(0.879)	(0.935)	(0.001)	(0.840)	(0.496)	(0.592)	(0.001)	(0.940)	(0.000)	(0.247)
government confidential	5.079	2.740	2.579	8.195**	0.997	140.100	1.681	2.420	3.219***	2.269***	0.860
	(0.277)	(0.492)	(0.537)	(0.021)	(0.996)	(0.153)	(0.545)	(0.204)	(0.001)	(0.000)	(0.671)
government secret	0.391	5.725*	0.454	3.214	0.202*	0.446	0.898	0.278	0.869	1.671***	1.094
	(0.525)	(0.082)	(0.595)	(0.296)	(0.054)	(0.723)	(0.941)	(0.373)	(0.773)	(0.002)	(0.693)
government top secret	1.249	6.591*	0.455	8.526	0.993	0.819	4.048	1.824	1.585	1.241	0.505**
	(0.810)	(0.064)	(0.599)	(0.299)	(0.989)	(0.902)	(0.131)	(0.334)	(0.120)	(0.190)	(0.032)
Constant	0.000627***	0.0150***	0.000328***	3.97e-08***	0.0187***	0.03520	0.0130***	0.000151***	0.00361***	0.000182***	0.00284***
	(0.00000)	(0.00019)	(0.00000)	(0.00000)	(0.00000)	(0.22100)	(0.00011)	(0.00000)	(0.00000)	(0.00000)	(0.00000)
Observations	3,771	2,444	2,894	734	8,969	198	3,384	4,296	13,160	41,199	35,596

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Table 5: Industry Specific Regression Results

	238	311	312	313	314	315	316	321	322	323	324
SDB not 8(a)	0.704***	0.819	0.474	0.564**	0.575***	0.543***	0.899	0.695	0.782	0.419***	0.753
	(0.000)	(0.185)	(0.208)	(0.012)	(0.000)	(0.000)	(0.779)	(0.118)	(0.220)	(0.001)	(0.192)
8(a)	3.927***	0.269	7.552*	0.301	0.662	0.548	3.006	0.678	0.415	0.386	0.429
	(0.000)	(0.370)	(0.087)	(0.189)	(0.244)	(0.198)	(0.227)	(0.584)	(0.309)	(0.294)	(0.123)
woman-owned	1.011	0.554***	2.055	1.121	0.996	0.851	0.840	1.090	1.110	0.743	0.868
	(0.843)	(0.001)	(0.185)	(0.579)	(0.977)	(0.305)	(0.632)	(0.710)	(0.578)	(0.196)	(0.528)
minority-owned	0.680***	0.651**	0.323*	0.835	0.987	0.861	0.547	0.525**	0.677*	1.082	1.110
	(0.000)	(0.020)	(0.085)	(0.485)	(0.938)	(0.428)	(0.233)	(0.045)	(0.090)	(0.781)	(0.657)
hubzone	1.866***	2.773***	11.64***	2.365***	1.071	2.086***	0.988	0.837	1.644	1.380	0.799
	(0.000)	(0.002)	(0.001)	(0.006)	(0.776)	(0.004)	(0.984)	(0.695)	(0.110)	(0.570)	(0.581)
service-disabled veteran	1.982***	0.713	0.813	0.566	1.341	1.099	0.586	1.438	1.002	0.716	0.562*
	(0.000)	(0.271)	(0.786)	(0.132)	(0.122)	(0.669)	(0.374)	(0.240)	(0.994)	(0.440)	(0.089)
other veteran	1.042	0.265***	1.020	0.749	0.724	0.658	0.467	0.974	1.008	0.436	0.210**
	(0.673)	(0.006)	(0.983)	(0.497)	(0.214)	(0.172)	(0.254)	(0.947)	(0.982)	(0.134)	(0.016)
log age	1.097***	0.899*	1.196	1.146	1.001	1.168**	0.988	1.020	1.003	1.096	1.052
	(0.001)	(0.097)	(0.467)	(0.174)	(0.994)	(0.038)	(0.943)	(0.866)	(0.977)	(0.450)	(0.594)
log employment	1.030	0.826***	0.692**	0.810***	0.975	0.845***	1.348***	0.677***	0.813***	0.778***	0.904*
	(0.109)	(0.000)	(0.013)	(0.005)	(0.609)	(0.002)	(0.004)	(0.000)	(0.003)	(0.007)	(0.098)
log receipts	1.064***	1.157***	0.934	1.159***	1.182***	1.195***	1.026	1.282***	1.168***	1.263***	1.080**
	(0.000)	(0.000)	(0.222)	(0.004)	(0.000)	(0.000)	(0.670)	(0.000)	(0.000)	(0.002)	(0.015)
sole proprietorship	0.748**	0.422**	0.402	0.568	0.734	0.421**	0.454	0.747	0.399**	0.316**	1.488
(omitted: "other" orgs)	(0.016)	(0.014)	(0.260)	(0.275)	(0.344)	(0.020)	(0.267)	(0.514)	(0.023)	(0.011)	(0.342)
partnership	0.823*	0.702	0.257*	0.565	0.574*	0.569*	0.361*	0.403*	0.404**	0.329***	1.044
	(0.080)	(0.155)	(0.092)	(0.203)	(0.064)	(0.064)	(0.089)	(0.056)	(0.012)	(0.006)	(0.903)
corporate not tax-exempt	0.841*	0.681*	0.280*	0.741	0.852	0.608**	0.345**	0.718	0.386***	0.252***	0.734
	(0.061)	(0.068)	(0.056)	(0.398)	(0.502)	(0.043)	(0.021)	(0.325)	(0.001)	(0.000)	(0.312)
corporate tax-exempt	0.166**	0.283	0.783	3.435	0.486	0.711	0.000	2.609	0.282	1.021	0.484
	(0.031)	(0.459)	(0.889)	(0.471)	(0.640)	(0.825)	(0.000)	(0.536)	(0.461)	(0.990)	(0.629)
government non-classified	1.666***	1.235	2.256	1.471	1.905***	1.510**	1.313	1.644*	1.849***	2.210***	1.294
(omitted: no security reported)	(0.000)	(0.389)	(0.257)	(0.114)	(0.000)	(0.022)	(0.539)	(0.061)	(0.003)	(0.002)	(0.331)
government confidential	1.732***	0.294	3.880	4.430***	1.166	1.071	3.543	1.130	0.584	1.947	2.254
	(0.001)	(0.400)	(0.373)	(0.005)	(0.765)	(0.921)	(0.198)	(0.885)	(0.527)	(0.430)	(0.177)
government secret	1.444***	0.260	14.38**	1.190	1.212	0.651	1.601	2.179	2.624*	2.395	1.672
	(0.004)	(0.351)	(0.012)	(0.776)	(0.549)	(0.326)	(0.509)	(0.175)	(0.057)	(0.140)	(0.387)
government top secret	0.967	1.123	1.218	6.156**	2.347**	0.0733*	1.873	1.353	1.818	1.064	0.875
	(0.810)	(0.900)	(0.905)	(0.017)	(0.047)	(0.067)	(0.525)	(0.722)	(0.348)	(0.917)	(0.818)
Constant	0.00153***	0.0308***	3.09700	0.0225***	0.00773***	0.00739***	0.00142***	0.00378***	0.0155***	0.00558***	0.0235***
	(0.00000)	(0.00000)	(0.62300)	(0.00001)	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)
Observations	82,747	4,725	1,503	1,897	4,404	4,171	1,513	4,549	2,949	5,527	2,228

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Table 5: Industry Specific Regression Results

	325	327	331	332	333	334	335	336	337	339	423
SDB not 8(a)	0.571***	0.488***	0.583***	0.464***	0.568***	0.594***	0.496***	0.564***	0.616***	0.609***	0.634***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
8(a)	0.650	0.337**	0.373**	0.419***	0.531***	0.636***	0.362***	0.468***	1.054	0.647**	0.878
	(0.156)	(0.045)	(0.031)	(0.000)	(0.001)	(0.001)	(0.000)	(0.001)	(0.839)	(0.037)	(0.572)
woman-owned	0.935	1.080	1.296*	1.107*	1.037	0.972	1.091	1.064	1.094	0.859**	1.110
	(0.523)	(0.666)	(0.065)	(0.092)	(0.559)	(0.604)	(0.271)	(0.363)	(0.447)	(0.017)	(0.234)
minority-owned	0.888	1.045	1.296	1.078	1.094	0.908	1.110	1.200**	0.863	0.962	0.949
	(0.310)	(0.832)	(0.113)	(0.309)	(0.227)	(0.110)	(0.253)	(0.023)	(0.312)	(0.602)	(0.613)
hubzone	1.054	0.636	1.423	1.241*	1.257*	1.301**	1.286*	1.334**	1.219	1.020	1.829***
	(0.811)	(0.228)	(0.144)	(0.074)	(0.079)	(0.020)	(0.097)	(0.034)	(0.369)	(0.894)	(0.000)
service-disabled veteran	1.112	1.059	0.840	1.097	1.046	0.921	0.876	0.883	1.298*	1.287***	1.011
	(0.435)	(0.814)	(0.448)	(0.314)	(0.630)	(0.305)	(0.260)	(0.245)	(0.098)	(0.003)	(0.937)
other veteran	0.889	0.951	0.674	1.007	1.046	0.842**	0.776*	0.957	0.768	0.968	0.722*
	(0.517)	(0.873)	(0.133)	(0.936)	(0.621)	(0.038)	(0.058)	(0.664)	(0.267)	(0.747)	(0.050)
log age	0.762***	0.874	1.021	0.912***	0.941**	1.198***	1.040	1.147***	0.971	0.929***	0.938
	(0.000)	(0.103)	(0.750)	(0.000)	(0.022)	(0.000)	(0.282)	(0.000)	(0.653)	(0.006)	(0.112)
log employment	0.772***	0.797***	0.814***	0.903***	0.884***	0.917***	0.909***	0.853***	0.767***	0.960**	0.841***
	(0.000)	(0.001)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.046)	(0.000)
log receipts	1.234***	1.216***	1.142***	1.082***	1.124***	1.108***	1.081***	1.084***	1.286***	1.119***	1.174***
	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)
sole proprietorship	0.580**	1.245	0.592*	0.797*	0.682***	0.658***	0.825	0.790*	0.748	0.679***	0.541***
(omitted: "other" orgs)	(0.014)	(0.528)	(0.098)	(0.074)	(0.004)	(0.000)	(0.278)	(0.095)	(0.300)	(0.005)	(0.004)
partnership	0.467***	0.601	0.617*	0.717***	0.748**	0.642***	0.684**	0.709***	0.929	0.686***	0.757
	(0.000)	(0.136)	(0.081)	(0.004)	(0.011)	(0.000)	(0.016)	(0.006)	(0.756)	(0.002)	(0.102)
corporate not tax-exempt	0.592***	0.762	0.648**	0.785***	0.755***	0.717***	0.828	0.733***	0.785	0.750***	0.747**
	(0.001)	(0.282)	(0.043)	(0.009)	(0.002)	(0.000)	(0.119)	(0.002)	(0.222)	(0.004)	(0.037)
corporate tax-exempt	0.339	0.906	0.938	0.126	1.034	0.393	0.764	0.119	0.541	0.411	0.195
	(0.466)	(0.955)	(0.949)	(0.148)	(0.954)	(0.158)	(0.758)	(0.137)	(0.491)	(0.300)	(0.255)
government non-classified	1.423***	2.431***	1.920***	1.808***	1.372***	1.243***	1.518***	1.265***	1.429**	1.380***	1.719***
(omitted: no security reported)	(0.002)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.000)	(0.012)	(0.000)	(0.000)
government confidential	2.675***	1.877	1.582	1.686***	1.391**	1.275*	2.148***	1.330*	0.772	1.560**	2.245***
	(0.000)	(0.218)	(0.211)	(0.000)	(0.044)	(0.083)	(0.000)	(0.071)	(0.601)	(0.029)	(0.003)
government secret	2.190***	2.990***	1.718	2.224***	1.721***	1.239***	1.986***	1.073	1.054	1.651***	1.717***
	(0.000)	(0.008)	(0.116)	(0.000)	(0.000)	(0.003)	(0.000)	(0.461)	(0.872)	(0.000)	(0.009)
government top secret	0.920	4.778***	2.186*	1.201	1.064	0.767***	1.304**	0.702***	0.924	0.971	3.080***
	(0.792)	(0.002)	(0.090)	(0.172)	(0.641)	(0.000)	(0.042)	(0.001)	(0.813)	(0.866)	(0.000)
Constant	0.00871***	0.00148***	0.0129***	0.0214***	0.0134***	0.0107***	0.0219***	0.0306***	0.00682***	0.0106***	0.00205***
	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)
Observations	14,579	4,653	3,820	31,295	27,081	33,320	14,334	18,763	6,527	23,588	58,281

Table 5: Industry Specific Regression Results

	424	425	441	442	443	444	445	446	447	448	451
SDB not 8(a)	0.716*	0.611	0.520**	1.039	1.015	0.326***	1.658	0.635	0.980	0.319*	0.589
	(0.098)	(0.274)	(0.037)	(0.927)	(0.975)	(0.000)	(0.843)	(0.303)	(0.991)	(0.075)	(0.424)
8(a)	1.722	9.444**	0.695	0.634	1.568	0.112**	321.400	0.269	10.630	0.461	1.072
	(0.281)	(0.032)	(0.700)	(0.765)	(0.614)	(0.015)	(0.142)	(0.391)	(0.311)	(0.684)	(0.966)
woman-owned	1.007	0.518	1.084	0.706	1.014	0.681*	0.640	0.906	2.500	1.128	1.416
	(0.969)	(0.172)	(0.806)	(0.417)	(0.972)	(0.054)	(0.838)	(0.819)	(0.636)	(0.846)	(0.539)
minority-owned	0.724	0.169**	1.289	0.833	1.760	1.108	0.803	0.848	0.982	0.147**	1.449
	(0.174)	(0.020)	(0.488)	(0.697)	(0.254)	(0.665)	(0.944)	(0.733)	(0.994)	(0.043)	(0.624)
hubzone	1.207	0.501	3.865**	1.319	2.208	0.956	15.650	3.828*	11.140	7.417**	0.795
	(0.657)	(0.643)	(0.014)	(0.758)	(0.270)	(0.912)	(0.347)	(0.060)	(0.294)	(0.042)	(0.883)
service-disabled veteran	0.756	0.665	1.137	1.468	0.550	0.315***	5.290	1.402	2.749	1.251	2.374
	(0.413)	(0.556)	(0.786)	(0.475)	(0.408)	(0.001)	(0.522)	(0.523)	(0.613)	(0.776)	(0.259)
other veteran	0.824	1.840	1.260	2.115	0.176	0.903	6.243	0.642	2.345	0.161	1.188
	(0.590)	(0.243)	(0.583)	(0.187)	(0.231)	(0.752)	(0.352)	(0.602)	(0.732)	(0.294)	(0.844)
log age	0.956	0.891	0.868	0.799	1.658**	0.729***	1.084	0.689**	0.745	0.562**	1.792*
	(0.622)	(0.545)	(0.266)	(0.270)	(0.048)	(0.000)	(0.894)	(0.020)	(0.707)	(0.022)	(0.084)
log employment	0.866**	1.551***	0.924	0.799	0.826	0.678***	1.820*	1.198	1.639	0.569***	0.761
	(0.049)	(0.000)	(0.402)	(0.128)	(0.160)	(0.000)	(0.058)	(0.153)	(0.335)	(0.002)	(0.249)
log receipts	1.218***	0.972	1.047	1.043	1.000	1.212***	0.910	1.105	0.847	1.053	1.429**
	(0.000)	(0.586)	(0.344)	(0.538)	(0.995)	(0.000)	(0.549)	(0.168)	(0.252)	(0.535)	(0.021)
sole proprietorship	1.086	0.218	0.284**	0.587	0.0388**	0.359**	0.385	0.390	0.666	0.318	0.225
(omitted: "other" orgs)	(0.843)	(0.107)	(0.025)	(0.514)	(0.032)	(0.017)	(0.672)	(0.267)	(0.857)	(0.350)	(0.349)
partnership	0.875	0.369	0.239***	0.693	0.396	0.214***	0.325	0.336	0.303	0.741	0.556
	(0.716)	(0.102)	(0.003)	(0.623)	(0.169)	(0.001)	(0.494)	(0.157)	(0.540)	(0.779)	(0.533)
corporate not tax-exempt	0.815	0.267***	0.340***	0.559	0.191***	0.605*	0.142	0.573	0.111	0.892	0.593
	(0.495)	(0.007)	(0.001)	(0.359)	(0.003)	(0.063)	(0.102)	(0.343)	(0.135)	(0.904)	(0.475)
corporate tax-exempt	1.349	1.876	2.183	2.302	2.550	8.844	4.552	22.30*	1.110	4,432***	107.5**
	(0.840)	(0.760)	(0.708)	(0.706)	(0.610)	(0.197)	(0.629)	(0.087)	(0.973)	(0.000)	(0.034)
government non-classified	1.985***	0.500	2.003*	2.915**	3.177***	5.607***	2.777	2.412*	2.640	4.171**	2.798
(omitted: no security reported)	(0.004)	(0.298)	(0.069)	(0.019)	(0.008)	(0.000)	(0.565)	(0.069)	(0.666)	(0.017)	(0.112)
government confidential	2.476	1.655	3.203	2.107	4.706*	9.160***	24.350	2.933	12.790	28.27**	4.181
	(0.164)	(0.731)	(0.174)	(0.609)	(0.095)	(0.000)	(0.280)	(0.461)	(0.369)	(0.034)	(0.353)
government secret	2.678*	0.500	3.196*	2.045	2.161	22.09***	8.058	4.685	13.040	7.341*	3.128
	(0.081)	(0.633)	(0.058)	(0.618)	(0.270)	(0.000)	(0.453)	(0.105)	(0.445)	(0.091)	(0.466)
government top secret	1.725	0.254	0.576	4.292	0.192**	37.63***	12.730	3.410	2.738	14.020	5.654
	(0.401)	(0.348)	(0.752)	(0.168)	(0.047)	(0.000)	(0.409)	(0.181)	(0.734)	(0.127)	(0.267)
Constant	0.000178***	0.00152***	0.0230***	0.26100	0.0678*	0.0129***	0.00708	0.000355***	0.51400	0.22100	0.0000957***
	(0.00000)	(0.00000)	(0.00011)	(0.33300)	(0.07430)	(0.00000)	(0.20500)	(0.00000)	(0.86700)	(0.40800)	(0.00010)
Observations	18,368	3,718	5,720	3,229	2,041	9,013	1,222	4,457	484	2,606	2,382

Table 5: Industry Specific Regression Results

	452	453	454	481	482	483	484	485	486	487	488
SDB not 8(a)	4.309	0.594	2.089	0.974	0.927	0.936	0.654**	0.425***	0.374	0.194	0.395***
	(0.261)	(0.116)	(0.178)	(0.919)	(0.963)	(0.863)	(0.048)	(0.000)	(0.139)	(0.179)	(0.000)
8(a)	1,510**	0.269	2.443	0.832	6.451	2.743	3.045***	1.248	0.619	15.700	0.374***
	(0.042)	(0.371)	(0.571)	(0.904)	(0.543)	(0.319)	(0.001)	(0.687)	(0.788)	(0.436)	(0.008)
woman-owned	0.104	1.269	0.797	0.878	1.190	0.669	0.835	0.789	0.847	0.501	1.195
	(0.231)	(0.423)	(0.693)	(0.669)	(0.911)	(0.370)	(0.383)	(0.243)	(0.823)	(0.644)	(0.167)
minority-owned	0.164	1.618	0.655	0.218***	1.393	0.445*	1.227	0.304***	0.517	0.350	1.124
	(0.259)	(0.151)	(0.499)	(0.003)	(0.849)	(0.096)	(0.375)	(0.000)	(0.387)	(0.530)	(0.451)
hubzone	3.794	0.960	4.378	3.028*	3.419	0.962	0.441*	3.045***	2.275	8.620	1.466
	(0.587)	(0.963)	(0.121)	(0.066)	(0.595)	(0.964)	(0.077)	(0.003)	(0.469)	(0.217)	(0.109)
service-disabled veteran	0.206	1.158	0.191	0.526	1.628	0.272	0.967	0.842	1.153	1.185	0.779
	(0.403)	(0.750)	(0.258)	(0.215)	(0.779)	(0.130)	(0.912)	(0.513)	(0.864)	(0.916)	(0.240)
other veteran	0.613	1.352	1.041	1.223	2.505	0.104	0.699	0.895	0.388	2.724	0.936
	(0.830)	(0.525)	(0.964)	(0.498)	(0.670)	(0.113)	(0.349)	(0.707)	(0.400)	(0.327)	(0.734)
log age	2.367	0.793	1.300	1.692***	1.050	1.160	1.474***	1.299***	1.784*	1.294	1.384***
	(0.179)	(0.128)	(0.291)	(0.000)	(0.960)	(0.396)	(0.000)	(0.003)	(0.079)	(0.607)	(0.000)
log employment	0.564	0.728***	0.731*	1.057	0.929	0.880	0.976	0.997	1.047	1.131	0.939
	(0.238)	(0.005)	(0.069)	(0.496)	(0.902)	(0.224)	(0.715)	(0.953)	(0.757)	(0.708)	(0.106)
log receipts	0.992	1.265***	1.097	1.020	0.981	1.034	1.094**	0.973	0.966	0.894	1.189***
	(0.965)	(0.002)	(0.379)	(0.674)	(0.908)	(0.538)	(0.034)	(0.235)	(0.612)	(0.295)	(0.000)
sole proprietorship	0.056	0.267**	0.328	0.241*	0.819	0.742	0.995	2.628***	0.167*	2.175	0.932
(omitted: "other" orgs)	(0.104)	(0.037)	(0.276)	(0.051)	(0.931)	(0.585)	(0.991)	(0.004)	(0.085)	(0.677)	(0.784)
partnership	0.0371*	0.655	0.349	0.383**	1.216	0.315**	0.709	0.625	0.0114***	1.873	0.616**
	(0.065)	(0.399)	(0.224)	(0.048)	(0.923)	(0.036)	(0.383)	(0.224)	(0.005)	(0.740)	(0.047)
corporate not tax-exempt	0.0666**	0.395**	0.513	0.500**	0.433	0.317***	0.754	0.434**	0.157***	0.557	0.697**
	(0.044)	(0.034)	(0.288)	(0.049)	(0.689)	(0.002)	(0.337)	(0.010)	(0.004)	(0.731)	(0.049)
corporate tax-exempt	14.430	2.810	3.066	40.82**	0.000	3.901	0.611	3.286	0.000	0.000	0.411
	(0.443)	(0.566)	(0.572)	(0.039)	(0.000)	(0.440)	(0.744)	(0.507)	(0.000)	(0.000)	(0.542)
government non-classified	1.068	2.237**	2.074	0.716	3.225	1.200	3.002***	0.726	4.141**	1.102	1.826***
(omitted: no security reported)	(0.968)	(0.045)	(0.304)	(0.372)	(0.519)	(0.723)	(0.000)	(0.330)	(0.010)	(0.948)	(0.000)
government confidential	60.380	3.785	5.466	2.216	8.674	5.336**	5.005***	2.746	4.879	21.640	1.524
	(0.140)	(0.117)	(0.267)	(0.256)	(0.213)	(0.020)	(0.000)	(0.107)	(0.347)	(0.184)	(0.274)
government secret	39.030	6.614***	6.526*	1.284	4.683	3.978***	2.220**	0.528	0.917	3.625	0.914
	(0.140)	(0.000)	(0.057)	(0.475)	(0.418)	(0.000)	(0.036)	(0.333)	(0.957)	(0.447)	(0.666)
government top secret	4.614	3.321**	5.067	1.234	6.266	2.303	1.308	1.884	1.446	3.490	0.857
	(0.413)	(0.040)	(0.113)	(0.582)	(0.447)	(0.178)	(0.640)	(0.192)	(0.822)	(0.655)	(0.451)
Constant	1.85300	0.0167***	0.0326*	0.00148***	0.32300	0.0246***	0.000242***	0.0125***	0.00161***	0.06070	0.000243***
	(0.84400)	(0.00099)	(0.04810)	(0.00000)	(0.82000)	(0.00085)	(0.00000)	(0.00000)	(0.00061)	(0.38300)	(0.00000)
Observations	424	7,117	3,983	2,927	404	1,987	15,302	4,871	992	901	16,219

MINORITY BUSINESS DEVELOPMENT AGENCY
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Table 5: Industry Specific Regression Results

	491	492	493	511	512	515	517	518	519	522	523
SDB not 8(a)	11.47*	0.727	0.495**	0.478***	1.045	0.968	0.657**	0.537***	0.368***	0.162*	0.502
	(0.086)	(0.354)	(0.034)	(0.000)	(0.886)	(0.931)	(0.023)	(0.006)	(0.000)	(0.074)	(0.285)
8(a)	52.48**	1.336	0.824	0.672	10.92***	1.844	1.111	1.271	1.388	0.291	2.263
	(0.039)	(0.657)	(0.725)	(0.131)	(0.001)	(0.541)	(0.766)	(0.489)	(0.490)	(0.451)	(0.635)
woman-owned	0.612	1.061	1.382	0.658***	0.463**	0.517	0.833	0.540***	0.710	1.693	0.445
	(0.670)	(0.865)	(0.260)	(0.000)	(0.025)	(0.141)	(0.338)	(0.007)	(0.148)	(0.500)	(0.237)
minority-owned	0.101	0.666	1.076	0.678***	0.166***	0.596	0.485***	0.664*	0.389***	0.959	0.189*
	(0.130)	(0.258)	(0.828)	(0.001)	(0.002)	(0.295)	(0.001)	(0.076)	(0.002)	(0.961)	(0.072)
hubzone	3.430	1.074	1.171	1.802***	0.322	0.784	1.841**	1.112	0.884	0.656	1.009
	(0.288)	(0.917)	(0.756)	(0.004)	(0.426)	(0.870)	(0.043)	(0.783)	(0.824)	(0.776)	(0.995)
service-disabled veteran	0.896	1.744	1.180	0.870	0.114	0.318	0.974	0.601	0.747	2.009	0.438
	(0.938)	(0.139)	(0.658)	(0.406)	(0.129)	(0.181)	(0.910)	(0.123)	(0.429)	(0.475)	(0.359)
other veteran	0.871	1.609	1.084	0.961	1.324	0.441	0.795	0.998	0.897	1.571	0.748
	(0.943)	(0.359)	(0.872)	(0.817)	(0.578)	(0.337)	(0.462)	(0.995)	(0.792)	(0.760)	(0.757)
log age	2.465	1.637**	1.219	1.554***	1.304	0.738**	1.083	1.302***	1.400***	0.721	1.937***
	(0.262)	(0.012)	(0.196)	(0.000)	(0.116)	(0.031)	(0.269)	(0.009)	(0.001)	(0.207)	(0.001)
log employment	1.607***	1.153	0.916	0.876***	1.162*	1.103*	1.070	0.896	0.936	1.135	0.842*
	(0.008)	(0.172)	(0.316)	(0.000)	(0.092)	(0.084)	(0.145)	(0.104)	(0.252)	(0.295)	(0.064)
log receipts	0.984	1.082	1.122*	1.124***	0.988	0.995	1.093***	1.270***	1.080*	0.961	0.986
	(0.927)	(0.233)	(0.085)	(0.000)	(0.808)	(0.902)	(0.005)	(0.000)	(0.074)	(0.583)	(0.837)
sole proprietorship	0.175	0.350	0.777	0.735*	0.664	0.344**	1.181	0.614	0.644	0.219	0.546
(omitted: "other" orgs)	(0.373)	(0.127)	(0.503)	(0.001)	(0.653)	(0.035)	(0.193)	(0.420)	(0.349)	(0.172)	(0.249)
partnership	0.566	0.696	0.777	0.735*	0.664	0.344**	1.181	0.614	0.644	0.219	0.546
	(0.675)	(0.521)	(0.547)	(0.091)	(0.491)	(0.047)	(0.550)	(0.199)	(0.260)	(0.122)	(0.330)
corporate not tax-exempt	0.225	0.397**	0.391***	0.806	0.677	0.551	0.891	0.931	1.013	0.304*	0.534
	(0.242)	(0.041)	(0.007)	(0.154)	(0.429)	(0.123)	(0.622)	(0.804)	(0.966)	(0.060)	(0.264)
corporate tax-exempt	1.883	3.841	0.861	0.243	23.46*	1.416	0.417	0.745	1.855	10.030	235.0***
	(0.787)	(0.479)	(0.920)	(0.327)	(0.059)	(0.838)	(0.548)	(0.840)	(0.679)	(0.310)	(0.004)
government non-classified	4.707	0.754	1.600	1.109	2.220***	0.246**	0.888	0.939	0.928	2.093	0.228
(omitted: no security reported)	(0.180)	(0.526)	(0.164)	(0.292)	(0.009)	(0.033)	(0.526)	(0.765)	(0.731)	(0.304)	(0.282)
government confidential	18.31**	1.407	0.561	0.747	0.584	0.556	0.416	0.862	0.737	5.130*	0.707
	(0.044)	(0.694)	(0.686)	(0.418)	(0.708)	(0.685)	(0.291)	(0.787)	(0.641)	(0.072)	(0.815)
government secret	2.186	0.845	2.001*	1.133	0.736	0.849	1.112	0.576	0.299***	5.061*	4.538**
	(0.534)	(0.755)	(0.060)	(0.393)	(0.719)	(0.818)	(0.648)	(0.127)	(0.007)	(0.087)	(0.023)
government top secret	0.634	0.676	1.446	0.769**	0.161***	0.524	0.597***	0.689**	0.268***	1.055	3.547***
	(0.774)	(0.435)	(0.346)	(0.012)	(0.009)	(0.139)	(0.000)	(0.038)	(0.000)	(0.953)	(0.008)
Constant	6.17e-05**	0.00130***	0.000889***	0.00441***	0.00654***	0.0774***	0.00231***	0.000194***	0.00471***	0.00731**	0.0333***
	(0.03260)	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00617)	(0.00000)	(0.00000)	(0.00000)	(0.01530)	(0.00696)
Observations	743	2,757	7,333	17,744	6,422	1,680	10,367	17,106	11,795	2,056	2,207

Table 5: Industry Specific Regression Results

	524	525	531	532	533	541	551	561	562	611	621
SDB not 8(a)	0.224**	1.218	1.036	0.549***	0.898	0.563***	0.398	0.646***	0.621***	0.472***	0.576***
	(0.020)	(0.878)	(0.793)	(0.000)	(0.947)	(0.000)	(0.633)	(0.000)	(0.000)	(0.000)	(0.000)
8(a)	1.121	10.280	3.442***	0.831	3.317	2.183***	4.553	2.705***	1.465**	2.032***	2.229***
	(0.898)	(0.307)	(0.003)	(0.579)	(0.752)	(0.000)	(0.467)	(0.000)	(0.023)	(0.000)	(0.001)
woman-owned	0.307*	0.544	0.666**	0.876	1.253	0.858***	1.716	0.874***	1.072	0.971	0.771**
	(0.087)	(0.696)	(0.017)	(0.380)	(0.894)	(0.000)	(0.742)	(0.004)	(0.458)	(0.741)	(0.029)
minority-owned	1.762	0.245	0.344***	1.228	1.226	0.837***	1.174	0.565***	0.646***	0.422***	0.862
	(0.338)	(0.379)	(0.000)	(0.214)	(0.899)	(0.000)	(0.914)	(0.000)	(0.000)	(0.000)	(0.279)
hubzone	0.534	5.917	1.152	1.521*	2.554	1.163**	7.859	1.188*	1.196	0.647*	1.046
	(0.672)	(0.355)	(0.743)	(0.086)	(0.773)	(0.045)	(0.310)	(0.067)	(0.247)	(0.090)	(0.891)
service-disabled veteran	1.952	3.839	0.491*	1.064	1.750	0.903**	1.814	1.053	0.999	1.246*	2.143***
	(0.251)	(0.296)	(0.062)	(0.772)	(0.751)	(0.037)	(0.716)	(0.417)	(0.993)	(0.054)	(0.000)
other veteran	0.382	2.213	1.170	0.888	3.893	0.673***	3.244	1.015	1.078	1.203	0.856
	(0.505)	(0.599)	(0.485)	(0.639)	(0.398)	(0.000)	(0.497)	(0.848)	(0.641)	(0.168)	(0.446)
log age	0.981	0.783	1.631***	1.011	0.943	1.275***	0.707	1.400***	1.349***	1.299***	1.804***
	(0.925)	(0.629)	(0.000)	(0.874)	(0.930)	(0.000)	(0.524)	(0.000)	(0.000)	(0.000)	(0.000)
log employment	1.091	1.306	1.054*	1.119***	1.058	1.035***	1.305	1.031**	1.005	0.982	0.805***
	(0.435)	(0.276)	(0.061)	(0.005)	(0.917)	(0.000)	(0.305)	(0.042)	(0.844)	(0.525)	(0.000)
log receipts	1.075	0.943	1.037*	1.030	0.966	1.033***	0.970	0.994	1.034**	1.088***	1.084***
	(0.351)	(0.569)	(0.056)	(0.234)	(0.812)	(0.000)	(0.824)	(0.434)	(0.046)	(0.000)	(0.000)
sole proprietorship	0.594	0.665	1.148	1.010	0.856	0.889*	0.579	0.665***	1.162	0.941	0.627*
(omitted: "other" orgs)	(0.260)	(0.533)	(0.914)	(0.835)	(0.935)	(0.056)	(0.822)	(0.001)	(0.700)	(0.370)	(0.024)
partnership	0.594	0.665	1.148	1.010	0.856	0.889*	0.579	0.665***	1.162	0.941	0.627*
	(0.426)	(0.729)	(0.515)	(0.971)	(0.945)	(0.093)	(0.638)	(0.000)	(0.415)	(0.746)	(0.057)
corporate not tax-exempt	0.362**	0.377	1.224	1.026	0.527	0.989	0.156*	0.717***	1.045	0.879	0.787
	(0.040)	(0.353)	(0.316)	(0.910)	(0.769)	(0.849)	(0.095)	(0.000)	(0.783)	(0.424)	(0.231)
corporate tax-exempt	38.63**	60.040	1.554	0.830	0.000	0.369**	4.421	0.270**	0.178	1.107	0.274
	(0.041)	(0.189)	(0.772)	(0.899)	(0.000)	(0.016)	(0.564)	(0.018)	(0.228)	(0.906)	(0.374)
government non-classified	1.036	0.714	1.333	1.235	2.440	1.534***	1.428	1.307***	1.209*	0.975	1.303*
(omitted: no security reported)	(0.951)	(0.818)	(0.193)	(0.213)	(0.568)	(0.000)	(0.822)	(0.000)	(0.078)	(0.824)	(0.088)
government confidential	0.746	3.918	2.651**	1.498	10.880	1.836***	18.380	2.140***	1.507	0.972	1.265
	(0.840)	(0.413)	(0.020)	(0.330)	(0.377)	(0.000)	(0.155)	(0.000)	(0.156)	(0.931)	(0.491)
government secret	0.998	2.951	0.856	0.650	1.911	2.412***	1.898	1.503***	0.599**	1.064	0.538***
	(0.998)	(0.566)	(0.753)	(0.328)	(0.728)	(0.000)	(0.704)	(0.000)	(0.046)	(0.689)	(0.008)
government top secret	0.583	0.927	1.014	0.514*	3.484	2.671***	4.191	1.688***	0.466***	0.852	1.287
	(0.430)	(0.965)	(0.972)	(0.064)	(0.617)	(0.000)	(0.223)	(0.000)	(0.002)	(0.178)	(0.322)
Constant	0.00504***	0.14400	0.000614***	0.00417***	0.45600	0.00356***	0.04690	0.00417***	0.00236***	0.00162***	0.00215***
	(0.00026)	(0.39700)	(0.00000)	(0.00000)	(0.89000)	(0.00000)	(0.15800)	(0.00000)	(0.00000)	(0.00000)	(0.00000)
Observations	3,059	734	22,905	11,520	145	177,409	1,013	84,841	21,813	45,601	25,034

Table 5: Industry Specific Regression Results

	622	623	624	711	712	713	721	722	811	812	813
SDB not 8(a)	0.492	0.847	0.481***	0.307***	0.407**	0.216***	0.733***	0.708*	0.661***	0.527***	0.740
	(0.133)	(0.503)	(0.000)	(0.000)	(0.015)	(0.001)	(0.004)	(0.084)	(0.000)	(0.000)	(0.235)
8(a)	3.532**	5.168*	1.156	1.392	0.572	2.620	0.749	1.523	0.752*	0.806	6.709***
	(0.045)	(0.052)	(0.724)	(0.648)	(0.557)	(0.247)	(0.625)	(0.315)	(0.086)	(0.708)	(0.000)
woman-owned	1.055	0.904	1.020	0.769	1.076	0.430*	0.996	1.821***	0.709***	0.539***	0.803
	(0.896)	(0.771)	(0.840)	(0.246)	(0.814)	(0.071)	(0.977)	(0.001)	(0.000)	(0.000)	(0.351)
minority-owned	0.479	0.254***	0.358***	1.178	1.136	1.022	0.842	0.754	0.670***	0.410***	0.663
	(0.150)	(0.006)	(0.000)	(0.531)	(0.767)	(0.963)	(0.158)	(0.180)	(0.000)	(0.000)	(0.138)
hubzone	1.391	0.392	0.410*	1.392	2.989	0.520	1.361	1.701	1.190	1.773	2.247
	(0.650)	(0.536)	(0.080)	(0.703)	(0.225)	(0.656)	(0.553)	(0.193)	(0.233)	(0.214)	(0.159)
service-disabled veteran	2.129*	0.152	0.412***	1.411	0.187	0.558	0.550**	0.677	0.732***	0.635*	0.579
	(0.079)	(0.189)	(0.000)	(0.355)	(0.242)	(0.384)	(0.049)	(0.300)	(0.001)	(0.078)	(0.182)
other veteran	1.001	1.172	0.531***	0.995	0.965	2.198**	1.158	1.322	0.785***	0.618	1.110
	(0.999)	(0.810)	(0.001)	(0.991)	(0.958)	(0.050)	(0.479)	(0.411)	(0.004)	(0.157)	(0.780)
log age	1.214	0.887	2.746***	1.115	1.143	1.095	1.052	1.734***	1.168***	0.800***	1.394***
	(0.284)	(0.174)	(0.000)	(0.354)	(0.420)	(0.577)	(0.248)	(0.000)	(0.000)	(0.001)	(0.003)
log employment	0.915	1.133**	0.475***	0.957	0.775**	1.095	1.086***	1.164***	1.101***	1.022	0.953
	(0.372)	(0.046)	(0.000)	(0.601)	(0.028)	(0.317)	(0.003)	(0.005)	(0.000)	(0.620)	(0.441)
log receipts	1.304***	1.062	0.993	0.976	0.980	1.020	0.996	0.973	1.040***	1.076***	0.953*
	(0.009)	(0.211)	(0.604)	(0.427)	(0.655)	(0.719)	(0.764)	(0.306)	(0.000)	(0.003)	(0.084)
sole proprietorship	0.475	1.059	0.385***	0.545	0.575	0.432*	0.954	0.339***	0.786**	0.392***	0.251**
(omitted: "other" orgs)	(0.358)	(0.118)	(0.021)	(0.292)	(0.203)	(0.125)	(0.000)	(0.908)	(0.596)	(0.564)	(0.138)
partnership	0.475	1.059	0.385***	0.545	0.575	0.432*	0.954	0.339***	0.786**	0.392***	0.251**
	(0.167)	(0.819)	(0.000)	(0.387)	(0.445)	(0.084)	(0.803)	(0.006)	(0.026)	(0.003)	(0.022)
corporate not tax-exempt	0.411**	0.723	0.552***	1.122	0.504	0.366**	0.935	0.617	0.762***	0.530**	0.534
	(0.040)	(0.194)	(0.003)	(0.842)	(0.258)	(0.016)	(0.709)	(0.125)	(0.002)	(0.013)	(0.128)
corporate tax-exempt	0.338	0.934	1.372	14.400	6.257	352.3**	2.485	0.843	0.464	4.899	4.039
	(0.485)	(0.969)	(0.831)	(0.169)	(0.264)	(0.015)	(0.544)	(0.910)	(0.361)	(0.120)	(0.373)
government non-classified	1.037	0.967	1.426***	0.978	1.542	1.258	1.480**	2.396***	1.043	1.283	1.679*
(omitted: no security reported)	(0.933)	(0.959)	(0.009)	(0.950)	(0.324)	(0.631)	(0.047)	(0.000)	(0.536)	(0.314)	(0.091)
government confidential	3.577	8.559**	3.046***	1.159	1.304	2.629	1.266	0.323	1.072	0.865	4.404***
	(0.166)	(0.019)	(0.000)	(0.873)	(0.854)	(0.292)	(0.676)	(0.430)	(0.708)	(0.862)	(0.004)
government secret	0.895	5.335*	1.466	0.925	0.374	1.156	0.890	0.919	1.101	1.720*	1.445
	(0.874)	(0.091)	(0.300)	(0.909)	(0.495)	(0.871)	(0.860)	(0.867)	(0.380)	(0.066)	(0.480)
government top secret	0.461	0.944	0.706	0.099	2.080	0.679	1.442	0.390	0.460***	0.535	1.931
	(0.256)	(0.969)	(0.457)	(0.112)	(0.412)	(0.678)	(0.524)	(0.263)	(0.000)	(0.261)	(0.108)
Constant	0.000834***	0.00600***	0.0413***	0.0561***	0.0916**	0.0135***	0.00818***	0.000500***	0.00659***	0.0390***	0.0327***
	(0.00002)	(0.00000)	(0.00000)	(0.00064)	(0.03280)	(0.00005)	(0.00000)	(0.00000)	(0.00000)	(0.00000)	(0.00000)
Observations	2,486	4,935	15,115	7,415	2,708	3,103	12,836	6,470	36,540	10,519	9,000

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Table 6
NAICS Codes Referenced in Table 5

111 – Crop Production
112 – Animal Production
113 – Forestry and Logging
114 – Fishing, Hunting and Trapping
115 – Support Activities for Agriculture and Forestry
211 – Oil and Gas Extraction

212 – Mining (except Oil and Gas)
213 – Support Activities for Mining
221 – Utilities
236 – Construction of Buildings
237 – Heavy and Civil Engineering Construction
238 – Specialty Trade Contractors
311 – Food Manufacturing
312 – Beverage and Tobacco Product Manufacturing
313 – Textile Mills
314 – Textile Product Mills

315 – Apparel Manufacturing
316 – Leather and Allied Product Manufacturing
321 – Wood Product Manufacturing
322 – Paper Manufacturing
323 – Printing and Related Support Activities
324 – Petroleum and Coal Products Manufacturing
325 – Chemical Manufacturing
326 – Plastics and Rubber Products Manufacturing
327 – Nonmetallic Mineral Product Manufacturing

331 – Primary Metal Manufacturing
332 – Fabricated Metal Product Manufacturing
333 – Machinery Manufacturing
334 – Computer and Electronic Product Manufacturing
335 – Electrical Equipment, Appliance and Component Manufacturing
324 – Petroleum and Coal Products Manufacturing
325 – Chemical Manufacturing

326 – Plastics and Rubber Products Manufacturing

327 – Nonmetallic Mineral Product Manufacturing
331 – Primary Metal Manufacturing
332 – Fabricated Metal Product Manufacturing
333 – Machinery Manufacturing
334 – Computer and Electronic Product Manufacturing
335 – Electrical Equipment, Appliance and Component Manufacturing
336 – Transportation Equipment Manufacturing
337 – Furniture and Related Product Manufacturing
339 – Miscellaneous Manufacturing
423 – Merchant Wholesalers, Durable Goods
424 – Merchant Wholesalers, Nondurable Goods
425 – Wholesale Electronic Markets and Agents and Brokers
441 – Motor Vehicle and Parts Dealers
442 – Furniture and Home Furnishings Stores
443 – Electronics and Appliance Stores
444 – Building Material and Garden Equipment and Supplies Dealers
445 – Food and Beverage Stores
446 – Health and Personal Care Stores
447 – Gasoline Stations
448 – Clothing and Clothing Accessories Stores
451 – Sporting Good, Hobby, Book and Music Stores
452 – General Merchandise Stores
453 – Miscellaneous Store Retailers
454 – Nonstore Retailers
481 – Air Transportation

482 – Rail Transportation
483 – Water Transportation
484 – Truck Transportation
485 – Transit and Ground Passenger Transportation
486 – Pipeline Transportation of Natural Gas Industry

487 – Scenic and Sightseeing Transportation
488 – Support Activities for Transportation

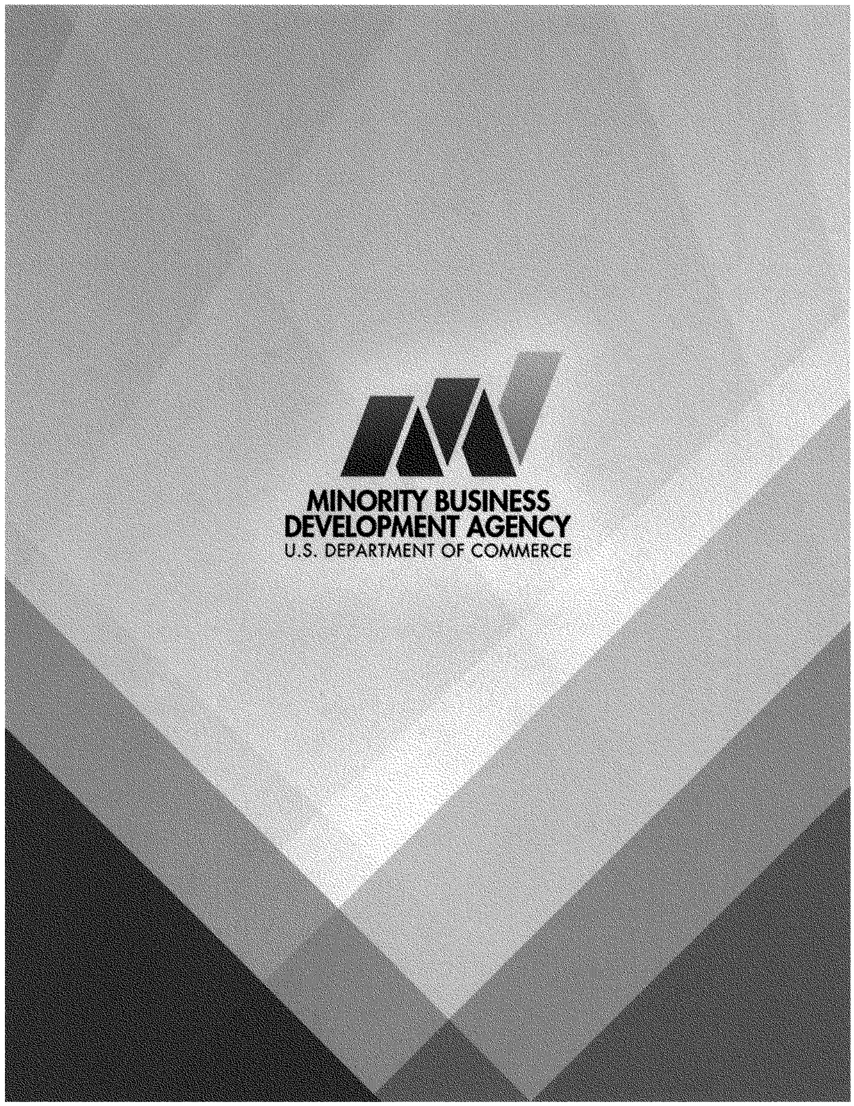
491 – Postal Service

492 – Couriers and Messengers
493 – Warehousing and Storage
511 – Publishing Industries (except Internet)
512 – Motion Picture and Sound Recording Industries
515 – Broadcasting (except Internet)
517 – Telecommunications

518 –Data Processing, Hosting, and Related Services
519 – Other Information Services
522 – Credit Intermediation and Related Activities
523 – Financial Investments and Related Activities
524 – Insurance Carriers and Related Activities
525 – Funds, Trusts, and Other Financial Vehicles
531 – Real Estate
532 – Rental and Leasing Services
533 – Lessors of Nonfinancial Intangible Assets
541 – Professional, Scientific and Technical Services

551 – Management of Companies and Enterprises
561 – Administrative and Support Services
562 – Waste Management and Remediation Services
611 – Educational Services
621 – Ambulatory Health Care Services
622 – Hospitals
623 – Nursing and Residential Care Facilities
624 – Social Assistance
711 – Performing Arts, Spectator Sports and Related Industries
712 – Museums, Historical Sites and Similar Institutions
713 – Amusement, Gambling and Recreation Industries
721 – Accommodation
722 – Food Services and Drinking Places
811 – Repair and Maintenance

812 – Personal and Laundry Services
813 – Religious, Grantmaking, Civic, Professional and Similar Organizations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