

**Statement of Lynn Ann Casey**  
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**“Growing the Small Business Supplier Base in Government  
Contracting”**

**Committee on Small Business, Subcommittee on Contracting and  
Infrastructure**

**U.S. House of Representatives**

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## **Introduction**

Chairman Mfume and the Members of the Subcommittee on Contracting and Infrastructure, thank you for the invitation to testify on behalf of small businesses. As the Chief Executive Officer (CEO) of Arc Aspicio, a small business that has provided innovative professional services to the Federal Government since 2008, I appreciate the opportunity to discuss how Category Management is impacting the federal small business supplier base.

As Founder and CEO of a woman-owned small business certified by the Small Business Administration (SBA) and a member of the Board of Directors of the Professional Services Council (PSC), the topic of this hearing is important to me and very relevant to my company and other small businesses who serve the Federal Government as prime contractors. I appreciate the opportunity to describe how Category Management relates to the concerning trend that the small business base is decreasing at a rapid rate, running counter to the purpose of the Small Business Act. I plan to offer ideas and potential solutions to help grow the supplier base.

Category Management (CM) is a government-wide procurement initiative led by the Office of Federal Procurement Policy (OFPP), an office within the Office of Management and Budget (OMB) with the support of the General Services Administration (GSA). While 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 bring.

## **Challenges of Category Management for Small Businesses**

Arc Aspicio has extensive experience in working for the Federal Government under current Category Management practices and prior to the enactment of this policy. We have successfully participated in Tier 1 through Tier 3 contract vehicles under OMB's Category Management guidance, so we have direct experience with the variety of contract vehicles used in Category Management. We also bring the perspective as a Mentor in the Small Business Administration (SBA) Mentor-Protégé Program, where we mentor an 8(a) company and provide advice and support to grow their company.

Both Arc Aspicio and our protégé, who are in different stages of company maturity, have seen a significant reduction in the number and size/scope of opportunities available for us to pursue competitively. Similarly, we have seen many new and re-compete contract opportunities move to Best in Class (BIC) contract vehicles where we were not a prime contractor and therefore could not pursue follow-on work. Agencies have raised significant concerns about not being able to allow their incumbent small businesses to bid for their re-competes. Allowing small businesses to compete for follow-on contracts after successfully delivering solutions to the Government as an exception to CM spurs competition, lowers prices, and fosters continuous improvement.

In addition to fewer opportunities to pursue, it is also very difficult for small businesses to win access to the Tier 3 BIC contract vehicles. These vehicles also only allow for a small number of participating suppliers relative to the size of the potential supplier base. While GSA has introduced STARS III, which has provided for a larger pool of qualified 8(a) vendors, small businesses with other socio-economic qualifiers have not had this opportunity. In addition, while some of the Government-wide contracts such as OASIS 2 Small Business have allowed on-ramps, it is becoming harder and harder for new entrants or smaller businesses to overcome the

strict entry requirements that include qualifications or certifications that require certified cost accounting systems. These vehicles disproportionately favor small businesses who have extensive prior experience with the Department of Defense (DOD). And yet, many other Departments outside of DOD then use these vehicles, reducing the diversity of small businesses able to participate and offer innovative solutions. This directly results in fewer small businesses competing for opportunities. It may also increase the revenue of opportunities that the selected few small businesses can access, which makes them grow quickly and get acquired, ultimately taking them out of the small business supplier base.

Government-wide acquisition contracts (GWACs) and BICs are also very expensive for small businesses to bid on (as compared to GSA Multiple Award Schedules, for examples). Our experience and the experience of our peer small businesses is that these can cost upwards of \$75,000 - \$100,000 just to submit a proposal. Then, award timeframes typically take one to two years or longer, delaying the ability to bid on opportunities they have been pursuing as a company awaits a contract award for the contract vehicle itself.

Arc Aspicio is prime contractor on Pool 2 of the Human Capital and Training Solutions BIC, commonly known as HCaTS Small Business. This has allowed us to see firsthand how well-executed CM can provide customized services from companies with human capital and organizational performance improvement experience can enable federal agencies to identify highly qualified vendors to successfully meet challenging mission requirements. However, other GWACS such as OASIS are large, very broad, and unnecessarily limit the number of small businesses that can bid on them.

GSA MAS is a huge opportunity for small businesses who start in subcontracting to qualify to begin to pursue their initial prime contracts in professional services. We are seeing a move away from GSA Multiple Award Schedules for professional services, however, and a move towards consolidation of GWACs. For example, GSA currently plans to eliminate HCaTS and consolidate this contract under a future Government-wide vehicle that they are currently planning and that is informally called the BIC Multi-award Contract (BIC MAC). Consolidating these Government-wide vehicles further reduces the pool of small businesses that can compete and ultimately reduces the size of the supplier base further.

### **Unintended Consequences of CM and Reducing the Small Business Supplier Base**

Applying CM to small businesses has the unintended consequence of limiting Federal agencies' access to many of the most innovative small businesses who might otherwise offer services of significant value to the public, while reducing the number and diversity small business suppliers available to meet government needs. Meanwhile, this situation undermines opportunities for small businesses to enter the market and offer competitive solutions, threatening the strength of our national industrial base.

Growing the number of small businesses and providing more opportunities for current small businesses, especially outside of the designated Best in Class vehicles, provides extensive benefit to the Government and to the economy, including:

- More competition on set-aside procurements, also lowering prices
- More innovation in solutions to meet federal agency needs, resulting from the broader variety of small business offerings and new solutions offered by new entrants
- Increased competitiveness and expansion of the industrial base

## Ideas and Potential Solutions

Solutions for growing the supplier base (new entrants, continuity of current base) may include:

1. **Recommendation 1:** To preserve individual set-aside contracting opportunities and give the agencies flexibility to award them to preserve the small business base and stimulate innovation and competition among small businesses, allow agencies who have required Category Management goals for Spend Under Management (SUM) to be exempt from the SUM goals by allowing them to claim credit for set aside contracts and/or consider small business set-asides as Tier 3. Since Category Management was created by OFPP and did not go through the rulemaking and interagency process, small businesses and other stakeholders did not have the opportunities to comment and assess the impact. An unintended consequence is the reduction of the number of small businesses. The committee may consider amending section 15 of the Small Business Act (USC 644):

*CATEGORY MANAGEMENT. (1) Any acquisition for a contract to be awarded under the procedures of section 8(a), 8(m), 15(a), 15(j), 31, or 36 (including an acquisition for commercial items) shall (A) be exempt from the procedural requirements of agency-level or governmentwide guidance on category management, best in class solutions, common contract solutions, or successor strategies for contract consolidation; and (B) be disregarded when measuring attainment of any goal or benchmark established under agency-level or governmentwide guidance on category management, best in class solutions, common contract solutions, or successor strategies for contract consolidation, unless considering the acquisition aids the achievement of such goal or benchmark.*

*(2) Once a contract has been awarded under the section 8(a), 8(m), 15(a), 15(j), 31, or 36 (including an acquisition for commercial items), the incumbent small business shall be given an opportunity to compete on that contract as a prime contractor if the Government requires continued services.*

*(3) The term "contract" includes a prime contract, a task order, a delivery order, a blanket purchase agreement, and a basic ordering agreement.*

2. **Recommendation 2:** To encourage more small business entrants, consider legislation to increase the simplified acquisition threshold from \$250,000 to \$1 million or more. This approach provides more opportunities for small businesses to win prime contracts and provide innovation to the Government. It also provides more opportunities for participants in the small business supplier base to build their capabilities.
3. **Recommendation 3:** To help small businesses to win their initial prime contracts and build their capabilities to support larger contracts effectively, 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 are categorized as as BIC Solutions (Tier 3).
4. **Recommendation 4:** 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, as current standards prevent small businesses from pursuing continued opportunities. Explore further increases to small business size standards beyond this current SBA proposal to remain current with economic and market trends.