



Written Testimony of

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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 common goods 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.