

Statement of Lynn Ann Casey
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**“Are Governmentwide Contracts Helping or Hurting Small
Contractors?”**

Committee on Small Business

U.S. House of Representatives

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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 be 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.