

Congress of the United States  
U.S. House of Representatives  
Committee on Small Business  
2361 Rayburn House Office Building  
Washington, DC 20515-6515

**Memorandum**

To: Members, Committee on Small Business  
From: Committee Staff  
Date: June 13, 2018  
Re: Hearing: “The Impact of Category Management on the Small Business Industrial Base”

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On Wednesday, June 13, 2018 at 11:00 am in Room 2360 of the Rayburn House Office Building, the Committee on Small Business will meet for the purpose of continuing the Committee’s longstanding oversight examining the use of contract bundling and consolidation in the federal procurement system. The hearing will examine the Administration’s approach to utilizing category management principles in the context of past Executive Branch initiatives and will discuss the impact the current approach may have on small businesses and the industrial base.

**I. Category Management – A Historical Perspective**

The United States federal government is the single largest buyer in the world, spending over \$300 billion on goods and services each year.<sup>1</sup> Historically, the majority of common federal agency needs were acquired in a disaggregated manner, creating duplicative contracts with different requirements and prices.<sup>2</sup> This fragmented purchasing approach resulted in inefficiencies that the Office of Management and Budget (OMB) has sought to mitigate for many years<sup>3</sup> through government-wide initiatives such as the Federal Strategic Sourcing Initiative (FSSI) and Category Management (CM). These procurement approaches attempted to eliminate redundancies, increase efficiency, and deliver value and savings to the taxpayer. Today, the Office of Federal Procurement Policy’s (OFPP) primary goal through CM is to simplify federal contracting by “leveraging common contracts and best practices to drive savings and maximize efficiencies.”<sup>4</sup> While the goal is noble, the federal government has struggled in the past to reconcile implementing these initiatives while also maintaining the protections afforded to small businesses under the Small Business Act. The consequences of past initiatives should be studied in order to avoid similar results.

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<sup>1</sup> THE WHITE HOUSE, PRESIDENT’S MANAGEMENT AGENDA 36 (2018), *available at* <https://www.whitehouse.gov/wp-content/uploads/2018/03/The-Presidents-Management-Agenda.pdf>.

<sup>2</sup> Agencies have paid different prices for the same item, sometimes at as much as a 300% difference. Michelle E. Litteken, *Category Management 101: What Every Contractor Needs to Know*, PILIERO MAZZA (June 28, 2016), <http://www.pilieromazza.com/blog/category-management-101-what-every-contractor-needs-to-know>.

<sup>3</sup> Category Management, 81 Fed. Reg. 69860 (Oct. 7, 2016).

<sup>4</sup> *Supra* note 1.

### A. Contract Bundling and Consolidation

Several executive branch initiatives have promoted the use of contract bundling and consolidation in past years through initiatives like FSSI and CM.<sup>5</sup> As previously examined by this Committee,<sup>6</sup> unjustified contract bundling<sup>7</sup> and consolidation<sup>8</sup> remain among the greatest challenges for small businesses wishing to compete in the federal marketplace.<sup>9</sup> Contract bundling or consolidation occurs when several separate, smaller contracts are combined into one unnecessarily large contract, often with numerous and complex contract requirements.<sup>10</sup> While in some cases the benefits of bundling and consolidation justify this procurement strategy, in others it simply limits competition to the detriment of small firms. This results in a decline of small businesses choosing to do business with the federal government. Thus, contract bundling is a key issue for the health of the industrial base.

### B. Brief History of the Federal Strategic Sourcing Initiative (FSSI)

Strategic sourcing rose to the forefront of purchasing and supply management as a tool to leverage total spending in order to optimize the supply base, drive down costs, and maximize the value of procured goods and services. It also involves taking a strategic approach when selecting vendors, allowing for productive, cost-effective relationships between the government and its vendors. To this end, large, indefinite-delivery, indefinite-quantity (IDIQ)<sup>11</sup> contracts were created. The theory was that the agencies could save money by pooling their spending to achieve lower costs.

Due to preliminary cost savings achieved, OMB released a memorandum in 2012 expanding strategic sourcing, directing a new council to identify products and services suitable

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<sup>5</sup> For a historical look at FSSI and category management, please refer to: *Contracting and the Industrial Base II: Bundling, Goaling, and the Office of Hearings and Appeals: Hearing Before the Subcomm. on Contracting and Workforce*, 114th Cong. 7-17 (2015).

<sup>6</sup> The Committee has a long history of oversight with respect to contract bundling. Throughout several Congresses, the Committee has held a number of hearings on contract bundling, submitted letters objecting to various procurement strategies that bundle contracts, and met with procurement officials to express concerns over these contracting strategies and how they may interfere with objectives to expand procurement opportunities for small businesses. Several legislative efforts have been undertaken to pursue common sense reforms on bundling and consolidation.

<sup>7</sup> The Small Business Act (the Act) defines contract bundling as “consolidating 2 or more procurement requirements for goods or services previously provided or performed under separate smaller contracts into a solicitation of offers for a single contract that is likely to be unsuitable for award to a small-business concern.” 15 U.S.C. § 632(o)(2).

<sup>8</sup> A consolidated contract is one that satisfies “2 or more requirements of the Federal agency for goods or services that have been provided to or performed for the Federal agency under 2 or more separate contracts lower in cost than the total cost” of the new contract. 15 U.S.C. § 657q(a)(2). The key distinction between contract bundling and contract consolidation is that consolidation does not require a finding that a contract will not be suitable for award to small business. Therefore, a contract may be consolidated but not bundled, but all bundled contracts are consolidated.

<sup>9</sup> *Supra* note 5.

<sup>10</sup> Contract bundling and consolidation, although used in tandem throughout this memorandum, are different. For an analysis of the difference between bundling and consolidation, please refer to: *Bungling Bundling: How Contract Bundling and Consolidation Remain Challenges to Small Business Success: Hearing Before the Subcomm. on Contracting and Workforce*, 113th Cong. (2013).

<sup>11</sup> IDIQ contracts provide for an indefinite quantity of services or supplies for a fixed time.

for mandatory government-wide acquisition vehicles.<sup>12</sup> However, questionable cost savings resulted from the government's attempts at strategic sourcing. Because of the focus on achieving lowest prices, the federal government failed to address the total cost of ownership. By purchasing the cheapest products, agencies risked spending more in the long run by losing the opportunity to obtain more effective, but more expensive, products that came with many substantial benefits not available with a cheaper product.<sup>13</sup>

Additionally, while the General Services Administration (GSA) claimed that FSSI was not contract bundling, the leveraging of buying power normally leads to the exclusion of some contractors, many of them small businesses. The FSSI procurement vehicles springing from this initiative ultimately displaced hundreds of small businesses.<sup>14</sup> Unfortunately, as a result, untold thousands of jobs were lost and small companies went out of business as the mandatory use of strategic sourcing vehicles became increasingly commonplace for more goods and services.<sup>15</sup> Turning towards CM, these federal activities pose the same challenges for small businesses.

### *C. A Brief History of Category Management*

The transition to category management as a more holistic approach to procurement began in 2014 when the OFPP announced the intention to begin “buying as one through category management.”<sup>16</sup> CM, as initially envisioned, intended to reduce contract duplication by “managing commonly purchased goods and services – approximately half of the Federal Government’s overall spend – through common categories like information technology.”<sup>17</sup> The Category Management Leadership Council (CMLC) organized the government’s common spending into 10 categories<sup>18</sup> led by senior executive officials serving as category managers.<sup>19</sup> The CM approach included strategic sourcing as well a broader strategy to develop common standards, drive greater transparency, and utilize data analytics by capturing and assessing market dynamics to analyze procurement trends.<sup>20</sup> Put simply, it would allow procurement personnel to pay more attention to the data behind how they spend and what they buy. However, the lack of mechanisms for new entrants into the market and limiting the number of companies able to compete still retained the risks inherent in bundling and consolidation.

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<sup>12</sup> OMB, IMPROVING ACQUISITION THROUGH STRATEGIC SOURCING (Dec. 5, 2012), *available at* [http://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-02\\_0.pdf](http://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-02_0.pdf).

<sup>13</sup> *Supra* note 5, at 11.

<sup>14</sup> More examples of FSSI procurements impacting small businesses can be found at: *Supra* note 5, at 10-14.

<sup>15</sup> OMB, IMPROVING ACQUISITION THROUGH STRATEGIC SOURCING at 2-4.

<sup>16</sup> OFPP, TRANSFORMING THE MARKETPLACE: SIMPLIFYING FEDERAL PROCUREMENT TO IMPROVE PERFORMANCE, DRIVE INNOVATION AND INCREASE SAVINGS 2 (Dec. 4, 2014), *available at* <http://www.whitehouse.gov/sites/default/files/omb/procurement/memo/simplifying-federal-procurement-to-improve-performance-drive-innovation-increase-savings.pdf>.

<sup>17</sup> *Id.*

<sup>18</sup> These categories are: Information Technology, Professional Services, Security & Protection, Facilities & Construction, Industrial Products and Services, Office Management, Transportation and Logistics Services, Travel and Lodging, Human Capital, and Medical.

<sup>19</sup> *Supra* note 3.

<sup>20</sup> PROFESSIONAL SERVICES COUNCIL, WHITE PAPER: CATEGORY MANAGEMENT – A PRACTICAL RESOURCE FOR ACQUISITION PLANNING AND PERFORMANCE MANAGEMENT IF IMPLEMENTED CORRECTLY at 1.

Thus, the foundation for CM was laid and the concept expanded in later years emphasizing the use of mandatory, government-wide contracting vehicles. The 2016 OMB Circular,<sup>21</sup> published at the end of the previous Administration, proposed to “establish a government-wide approach to acquiring common goods and services” and “promote, to the fullest extent possible, maximum adoption of category management principles, strategies, and requirements.”<sup>22</sup> Additionally, the Circular prescribed the designation and use of Best-In-Class (BIC) vehicles.<sup>23</sup> BIC is a designation by OMB that a particular contract vehicle is a “preferred government-wide solution”<sup>24</sup> and are “recommended – and in some cases required – for use.”<sup>25</sup>

The Circular does acknowledge that increasing small business participation in the CM initiative is a priority, promising to monitor small business participation and meet or exceed baseline small business use under the current procurement framework.<sup>26</sup> However, due to the nature of CM as a procurement strategy, ensuring the health of the small business industrial base would be difficult to achieve, as will be described later in this memorandum.

## II. Category Management in the Present

Any uncertainty regarding the continued use of the CM initiative after the change in administration was dispelled when the current Administration announced its intention to institutionalize and even expand upon previous CM policies. The President’s Management Agenda (PMA), published on March 20, 2018, specifically identifies CM as the preferred approach to “leverage common contracts and best practices to drive savings and efficiencies.”<sup>27</sup> The strategies outlined by the PMA CM solution identify four key actions, including the “establishment of annual goals to leverage common contract solutions while meeting small business and other statutory socio-economic goals.”<sup>28</sup> The current approach utilizes a tiered, “spend under management” (SUM) approach that includes three tiers of spending.

According to the GSA, SUM is the “percentage of an organization’s spend that is actively managed according to category management principles”<sup>29</sup> The following tiered rating scale is used to determine agency spend:

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<sup>21</sup> *Supra* note 3.

<sup>22</sup> *Supra* note 3.

<sup>23</sup> *Supra* note 3.

<sup>24</sup> According to the GSA, BIC “allows acquisition experts to take advantage of pre-vetted, government-wide solutions; supports a government-wide migration to solutions that are mature and market-proven; assists in the optimization of spend, within the government-wide category management framework; and increase the transactional data available for agency level and government-wide analysis of buying behavior.” GSA, BEST-IN-CLASS, *available at* <https://www.gsa.gov/acquisition/category-management/bestinclass>.

<sup>25</sup> GSA, GOVERNMENT-WIDE CATEGORY MANAGEMENT: BEST-IN-CLASS & SPEND UNDER MANAGEMENT, *available at* [https://www.gsa.gov/cdnstatic/BIC\\_%26\\_SUM\\_One-pager\\_252018.pdf](https://www.gsa.gov/cdnstatic/BIC_%26_SUM_One-pager_252018.pdf).

<sup>26</sup> *Id.*

<sup>27</sup> *Supra* note 1.

<sup>28</sup> *Supra* note 1.

<sup>29</sup> *Supra* note 25.

As shown on GSA’s Best-In-Class One-Pager:

What this means:

<b>Tier 3</b>	Best-In-Class solutions	Dollars obligated on BIC contracts	Select few Government-wide contract vehicles, i.e. multiple-award IDIQ contracts for multi-agency use (GWACs) meeting OMB’s strict BIC criteria
<b>Tier 2</b>	Multi-Agency Solution	Dollars obligated on multi-agency contracts that satisfy rigorous standards set for leadership, strategy, data, tools, and metrics	Other government-wide contract vehicles that do not meet OMB’s BIC criteria
<b>Tier 1</b>	Mandatory-Use Agency-Wide Solutions	Dollars obligated on agency-wide contracts with mandatory use of mandatory-consideration policies, along with standards set for data-sharing and other criteria	Agency-wide contract vehicles, i.e. multiple-award IDIQ contracts specific only to that agency (MACs)
<b>Tier 0</b>	Spend not aligned to CM principles	Dollars obligated on contracts that do not fit into one of the three tiers above. Agencies should analyze Tier 0 spend to find opportunities for shifting to higher-tier solutions	One-to-one contracts (i.e. individual contracts between the government agency and one vendor)

Source: [https://www.gsa.gov/cdnstatic/BIC\\_%26\\_SUM\\_One-pager\\_252018.pdf](https://www.gsa.gov/cdnstatic/BIC_%26_SUM_One-pager_252018.pdf).

Targets for FY18 as established by the President’s Management Council directed agencies to “(i) decrease their unaligned spend [*Tier 0*] by 20 percent and (ii) increase the use of BICs to 35 percent of spend [*move spend from Tiers 1 & 2 up to Tier 3*] that could suitably be made through those vehicles.”<sup>30</sup> There is no indication at this time whether these targets will grow in later years, further decreasing Tier 0 spend while pushing a significant portion of contracting activity to Tier 3; however, it remains a possibility.

Furthermore, the federal government currently applies category management principles to 42 percent of its good and services spending through the use of common contracts (MACs and GWACs at tiers 1-3).<sup>31</sup> The goal, by fiscal year 2020, is to increase this amount to 70 percent,<sup>32</sup> which will mean that the vast majority of federal spend will be managed using CM principles.

### III. Potential Implications for Small Business and the Shrinking Industrial Base

The current state of the industrial base is and has been trending downward. Even though the federal government has met its small business goal for several consecutive years, some market research indicates that contract consolidation efforts by the federal government contributed to a quarter of small prime contractors disappearing from the federal marketplace

<sup>30</sup> OFFICE OF FEDERAL PROCUREMENT POLICY, HARMONIZING CATEGORY MANAGEMENT & SMALL BUSINESS GOALS 9 (May 24, 2018).

<sup>31</sup> *Supra* note 1, at 37.

<sup>32</sup> *Supra* note 1, at 37.

since 2010, even while the total dollar amount awarded to small businesses remained level.<sup>33</sup> This data implies that the government’s focus on total contract dollars going to small businesses may be misguided; attention should also be paid to the number of businesses in the marketplace. OFPP should continue to pay close attention to the impact these policies have on the shrinking industrial base.

#### *A. Potential Impact of Targeted Reductions in Tier 0 Spend*

There is a perception among the small business community that as the federal government prioritizes streamlining acquisitions to achieve price reductions, the number of solicitations appropriate for small businesses continues to shrink.<sup>34</sup> Current CM policies may be adding fuel to that fire; as described by Leslie Field, the acting OFPP Administrator, OFPP is focusing on “increasing spend through BIC solutions” in which “agencies are held accountable for meeting the targets for BIC and SUM.”<sup>35</sup> According to the GSA, “Agencies should analyze Tier 0 spend to find opportunities for shifting to higher-tier solutions.”<sup>36</sup>

What this essentially means is that OMB is promoting spending at the higher tiers, disincentivizing spending at Tier 0, which is where many one-on-one small business contracts reside (i.e., through set-asides and contracts below the simplified acquisition threshold); thus, these targets may result in a decline in opportunities and contract dollars for small firms. In addition to the 20 percent target reduction in unaligned spend (Tier 0), another target set by the Administration is a 13 percent reduction of contracts by 2020 out of the 425,000 contracts that are within Tier 0.<sup>37</sup> While there is no confirmation that OFPP is moving to further increase these targets in future years, the current strategy appears to encourage overall reductions in Tier 0 spending and thus, small business contracts.

#### *B. Potential Impact of Increasing Use of Tier 3 BICs to 35 Percent*

##### *1. Background on GWACs and MACs*

To understand the full implications of this approach favoring contract vehicles in upper tiers, particularly tier 3, it is critical to first understand what multiple-award contracts are. The GSA first created long-term multiple-award contracts to provide volume discounts to federal agencies.<sup>38</sup> In the 1990s, federal agencies began creating their own large, multiple-award

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<sup>33</sup> Jason Miller, *Number of Small Business Prime Contractors Down by 25 Percent Since 2010*, FED. NEWS RADIO (Oct. 16, 2017), <https://federalnewsradio.com/reporters-notebook-jason-miller/2017/10/number-of-small-business-prime-contractors-down-by-25-percent-since-2010/>.

<sup>34</sup> *Supra* note 10, (statement of Juanita H. Beauford, President, Assoc. of Procurement Technical Assistance Centers).

<sup>35</sup> Jason Miller, *New OFPP Strategy Targets 13 Percent Reduction of Duplicative Contracts by 2020*, FED. NEWS RADIO (Apr. 30, 2018), <https://federalnewsradio.com/reporters-notebook-jason-miller/2018/04/new-ofpp-strategy-targets-13-percent-reduction-of-duplicative-contracts-by-2020/>.

<sup>36</sup> *Supra* note 25.

<sup>37</sup> *Supra* note 35.

<sup>38</sup> WOMEN IMPACTING PUBLIC POLICY & NEXTWIN SERVICES, LLC., WOMEN SHUT OUT OF U.S. GOVERNMENT’S BIGGEST CONTRACTS 7 (Oct. 2016), *available at* [https://c.yimcdn.com/sites/www.wipp.org/resource/resmgr/press\\_releases/WIPP\\_Do\\_Not\\_Enter\\_Report\\_Fin.pdf](https://c.yimcdn.com/sites/www.wipp.org/resource/resmgr/press_releases/WIPP_Do_Not_Enter_Report_Fin.pdf).

contracts, both specific to the agency (MACs) and for multi-agency use (GWACs).<sup>39</sup> As federal belt-tightening became a higher priority, the use of MACs and GWACs grew in popularity as opposed to using individual awards; since 2005, thousands of these large contracts have taken root, many with multi-billion dollar ordering ceilings.<sup>40</sup>

These large contracts operate under a two-phased approach; first, vendors compete for a spot on the contract. Due to the high dollar value and longevity (some can last up to 10 years) of these contracts, competition is fierce; hundreds of vendors may submit offers but only a handful will win. Second, once the vendors are chosen, only those selected few are eligible to compete for task orders (work) on that contract. In the context of the current CM strategy, Tier 3 contracts are government-preferred GWACs that have been given the “elite” BIC designation. Tier 2 contracts are GWACs that did not meet BIC criteria. Tier 1 are MACs, or agency-specific multiple-award contracts.

2. *Requiring increased use of upper-tier solutions potentially picking winners and losers, resulting in harm to the industrial base*

In many ways, MACs and GWACs are beneficial to government procurement (i.e. potential cost savings, streamlining acquisition processes) and can provide substantial advantages to small businesses that win spots on these contracts.<sup>41</sup> However, the emphasis on using BIC could create winners and losers, posing risks to the industrial base.

The use of the GSA Schedules and certain GWACs are an attractive option for small businesses as these contract vehicles have made increasingly diligent efforts to include small businesses in their portfolio.<sup>42</sup> Currently, there are thousands of MACs and GWACs in the federal marketplace<sup>43</sup> and only a handful of BICs (in FY17 there were 26 BICs<sup>44</sup>). While there may be an excess of MACs and GWACs, the targeted 35 percent increase in Tier 3 FY18 spending scales back the use of huge numbers of non-BIC MACs and GWACs, which will have a significant impact on the federal contracting market, particularly for those that were not “lucky” enough to have won a spot on a BIC.<sup>45</sup>

Therefore, not only does it matter if a small business wins a spot on a MAC or GWAC; there is mounting pressure to win spots on the *right* contract, Tier 3 BICs. Particularly with the target 35 percent increase in Tier 3 spending, GWACs and MACs at lower tiers could become less attractive options for contracting officers striving to meet that 35 percent goal.

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<sup>39</sup> *Id.*

<sup>40</sup> Brian Friel, *An Excess of Multiple-Award Contracts Is Creating New Problems for Government*, GOV. EXECUTIVE (Apr. 20, 2016), <https://www.govexec.com/excellence/promising-practices/2016/04/excess-multiple-award-contracts-creating-new-problems-government/127645/>.

<sup>41</sup> MACs and GWACs often have a long period of performance (5-10 years) and typically do not require small businesses to recertify their small status for the duration of the contract. This gives small businesses on the contracts time to project and plan their growth strategy.

<sup>42</sup> Aaron Boyd, *OMB Memo Ushers Major Shift in Federal Procurement*, FED. TIMES (Oct. 20, 2015), <https://www.federaltimes.com/acquisition/2015/10/20/omb-memo-ushers-major-shift-in-federal-procurement/>.

<sup>43</sup> *Supra* note 40.

<sup>44</sup> *Supra* note 30, at 10.

<sup>45</sup> *Supra* note 42.

Unfortunately, the implication is that for small businesses that have already spent the time and resources competing for positions on GWACs and MACs at lower tiers, their investment has become less valuable.

### 3. *Example of a Tier 3 BIC: Alliant 2*

To demonstrate, the Alliant 2 GWAC is a BIC and is one of the largest information technology (IT) contracts, worth \$65 billion in total.<sup>46</sup> GSA made awards to 61 companies for Alliant 2 Unrestricted (open competition)<sup>47</sup> and 18 (out of 493 offers) for Alliant 2 Small Business (restricted to small business).<sup>48</sup> In sum, only 79 “winners” out of the entire IT contracting industrial base have an opportunity to compete for \$65 billion dollars of federal spending. As agencies make concerted efforts to meet OMB’s target of a 35 percent increase in Tier 3 spending by FY 18, IT spending at lower tiers could decline and the usage of Alliant 2 may rise. Since Alliant 2 is a BIC, this push towards the top benefits those 79 IT companies, including the chosen few 18 small businesses, which could potentially devastate small IT contractors in Tiers 0-2. Those small businesses that have made considerable investments in pursuing IT-focused MACs and GWACs before this plan was in place are now potentially at a major disadvantage.

## IV. **Small Business Involvement in Category Management**

OFPP voiced their intent to make small business participation one of their top priorities, citing their finding that “early results show small business participation increases when category management principles are used effectively.”<sup>49</sup> However, history has indicated otherwise; previous administrations failed to consider the harm done to the industrial base if only a small number of firms win the lion’s share of contracts.

The President’s Management Agenda requires agencies to: 1) continue to meet or exceed their small business goals; and 2) meet their CM targets.<sup>50</sup> Similarly to the way in which SBA negotiates specific small business goals with each agency individually, OFPP intends to tailor CM solutions to suit each individual agency based on their baseline contracting activities and needs, however, they are still expected to bring their spend under management.<sup>51</sup> While these are positive steps recognizing the importance of small businesses, Office of Small and Disadvantaged Business Utilization (OSDBU) directors have raised concerns whether category management and small business as a socioeconomic policy can successfully coexist.

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<sup>46</sup> Alliant 2 Unrestricted (open competition) has a ceiling of \$50 billion over 10 years, and Alliant 2 Small Business (restricted to small businesses) has a \$15 billion ceiling also over a 10 year term for a total of \$65 billion.

<sup>47</sup> Ross Wilkers, *GSA Makes 61 Awards on \$50B Alliant 2 Vehicle*, WASHINGTON. TECH. (Nov. 17, 2017), <https://washingtontechnology.com/articles/2017/11/17/gsa-alliant-2-awards.aspx>.

<sup>48</sup> Ross Wilkers, *GSA Makes 81 Final Awards on \$15B Alliant 2 SB*, WASHINGTON. TECH. (Feb. 14, 2018), <https://washingtontechnology.com/articles/2018/02/14/alliant-2-sb-awards.aspx>.

<sup>49</sup> *Supra* note 30, at 10, 19. As of fiscal year 2017, \$22 billion dollars were spent BICs. There were 26 BICs in FY17. Although it may seem impressive that 43 percent of FY17 BIC spending went to small businesses and 75 percent of BIC contractors are small businesses, only those small businesses actually on BICs are receiving the benefits of these statistics.

<sup>50</sup> *Supra* note 30, at 8.

<sup>51</sup> *Supra* note 30, at 12.



Furthermore, OFPP's CM strategy essentially requires agencies to spend target amounts through specific vehicles. This may minimize agencies' flexibility in using the best procurements suitable for their particular needs, which may impede agencies from meeting their mission objectives.

To help increase small business participation, OFPP stated they have been collaborating with the Small Business Administration (a member of the Category Management Leadership Council) and Offices of Small and Disadvantaged Business Utilization (OSDBU) across the government to identify strategies that would help agencies meet these dual goals.<sup>52</sup> As part of this open dialogue, SBA made a list of recommendations to OFPP intended to make CM friendlier to small businesses.<sup>53</sup> Additionally, OFPP and the Category Management Leadership Council "determined each category should target 13 percent-to-50 percent of their spending to small firms. The goals include 39 percent in the IT category, 50 percent in the office management area and 33 percent for professional services."<sup>54</sup> However, there is no compliance or oversight process in place yet to ensure these targets are met, and OFPP has not yet developed formal overall CM guidance for agencies.<sup>55</sup>

One mechanism for increasing small business participation explored by OFPP is the utilization of "on-ramping" mechanisms. This would allow agencies to remove, or "off-ramp" certain contractors from existing MACs and GWACs, opening up opportunities for other small businesses to gain entry, or "on-ramp" without having to wait until the contracts are re-competed.<sup>56</sup> Robust utilization of on-ramp/off-ramp strategies may be one potential solution to reduce the risk to small businesses.

## V. Conclusion

While OFPP is making efforts to consider small business in the current CM policy, the real-world impact on small businesses is yet to be determined. History has shown that strategic sourcing efforts have disrupted the small business industrial base.<sup>57</sup> CM policies pushing contract awards towards a few chosen contract vehicles encourages contract consolidation, eventually resulting in small businesses leaving the federal marketplace when there are few achievable opportunities left. These policies may lead to less competition and higher prices in the long run, and may cause irreparable harm if there is no mechanism in place to ensure the health and vibrancy of the small business industrial base. As these efforts continue, OFPP should carefully consider and develop strategies to mitigate the impacts that category management may have on small businesses and the industrial base.

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<sup>52</sup> Jason Miller, *7 Ways to Make Category Management More Responsive to Small Businesses*, FED. NEWS RADIO (May 7, 2018), <https://federalnewsradio.com/reporters-notebook-jason-miller/2018/05/7-ways-to-make-category-management-more-responsive-to-small-businesses/>.

<sup>53</sup> *Id.*

<sup>54</sup> *Id.*

<sup>55</sup> *Supra* note 30, at 15.

<sup>56</sup> A. John Shoraka & Pamela Mazza, *Column: Multiple-Award Contracts—Path to Growth or Punishment for Success?*, SET-ASIDE ALERT (Apr. 13, 2018), <https://www.jdsupra.com/legalnews/multiple-award-contracts-path-to-growth-50479/>.

<sup>57</sup> For example, the previous Administration claimed small businesses would win more work as a result of strategic sourcing, however history has proven otherwise. *Supra* note 52.