

Impact of Government-Wide Acquisition Contracts on Small Business

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In the mid-1990s Congress passed a series of initiatives designed to fundamentally reform the way agencies acquired information technology-related goods and services from the private sector. The goal of these reforms was to implement results- and performance-based management practices that made agency procurement more timely and efficient and insured that agencies were getting maximum value out of the taxpayer dollars they spent. One area in greatest need of procurement reform was information technology (IT). Prior to Congressional passage of procurement reforms, agency IT acquisitions could take as long as two years to complete.

Answering the growing movement for procurement reform, Congress passed a landmark measure in 1996 called the Information Technology Management Reform Act (ITMRA), also known as the Clinger-Cohen Act. Among the provisions, ITMRA included a section encouraging agencies to create multiple-award, multi-agency contracts for the purchase of IT goods and services, with the U.S. General Services Administration (GSA) playing the primary role. These contracts came to be known as government-wide acquisition contracts or GWACs. This report examines small business utilization under GWACs vehicles, both generalized contracts and those designated specifically for small businesses.

Overall Findings

GWAC spending totaled \$16 billion between FY 1995 and FY 2004. Of this total, \$4.9 billion, or 31 percent, was awarded to small businesses. The creation of GWACs devoted exclusively to small businesses has had an impact on small business utilization in GWAC acquisitions. Since agencies began

using GSA's 8(a) FAST GWAC in FY 1998 and the Department of Commerce's COMMITS GWACs in FY 1999, total IT spending on these vehicles and on the more recent HUBZone GWAC has amounted to \$1.5 billion, or 9 percent of total reported GWAC spending. This has increased the small business GWAC dollar share by nearly one-third overall.

Highlights

- GWAC spending totaled \$16 billion between FY 1995 and FY 2004. Of this total, \$4.9 billion, or 31 percent, was awarded to small businesses.
- Small business GWAC dollars rose by a factor of 40 between FY 1997 and FY 2004 even as annual GWAC spending leveled off in FY 2004.
- GWAC spending in FY 2004 totaled \$4.06 billion; the small business share was 32 percent.
- The small business GWAC dollar share rose in FY 2002 and FY 2003. In FY 2004, approximately one out of every three GWAC dollars was spent through small firms.
- Excluding dollars spent on three exclusive small business GWACs—8(a) FAST, COMMITS, and HUBZone—the small business share of GWAC spending was 24 percent. The three small business GWACs added 10 percent to the overall GWAC spending total and 40 percent to the GWAC dollars received by small businesses between FY 1995 and FY 2004.
- Between FY 1995 and FY 2004, GWACs accounted for 12 percent of total purchases in the primary IT categories, federal supply groups D (automated data processing services) and 70 (automated data processing hardware).

- Four GWACs—Millennia, ANSWER, SEWP II, and SEWP III—accounted for 58 percent of all GWAC spending FY 1995–FY 2004. Their combined small business share was 19.2 percent.

- GSA accounted for 52 percent of all reported GWAC spending in the FY 1995–FY 2004 period.

- Overall GWAC spending is highly stratified. The top five vendors receiving GWAC awards in the last 10 years accounted for 46 percent of total GWAC spending. The top 25 GWAC vendors received 79 percent of the GWAC dollars.

- The small business GWAC sector is also highly stratified, but not to the same degree as large GWAC vendors. The five largest small GWAC dollar recipients collected one-third of GWAC small business dollars for the FY 1995–FY 2004 period. The 25 largest small firms together accounted for two-thirds of GWAC small business revenues.

Scope and Methodology

The GSA's Federal Procurement Data System Individual Contract Action Report database (FPDS ICAR) provided the primary source data used in this study. The ICAR database is an electronic file containing data fields corresponding to all the information elements collected by contract officers on the DD-350 (defense) and 279 (civilian) transaction report forms. Each ICAR record represents information about one unique contract obligation on an unclassified prime contract typically worth at least \$25,000.

To perform this analysis, the researcher extracted and analyzed all contract transaction records reported in the FPDS ICAR file covering the period October 1994 through September 2004 (FY 1995–FY 2004). The data was summarized and totaled by GWAC program, agency, and NAICS code and further analyzed by the amount of dollars awarded to small businesses.

This report was peer reviewed consistent with the Office of Advocacy's data quality guidelines. More information on this process can be obtained by contacting the director of economic research at advocacy@sba.gov or (202) 205-6533.

Ordering Information

The full text of this report and summaries of other studies performed under contract with the U.S. Small Business Administration's Office of Advocacy are available on the Internet at www.sba.gov/advo/research.

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