



# The Road to Recovery: Supporting Small Businesses and Creating Jobs Through Federal Procurement

Center Forward Basics

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## Overview

Small businesses are the backbone of the U.S. economy and crucial to the nation's economic recovery, but they have been severely impacted by the COVID-19 pandemic and the accompanying economic downturn. They face many challenges such as adhering to government regulations, developing a strong customer base, and hiring new employees. Small businesses have had to navigate numerous problems during the pandemic including accessing capital, managing stay at home orders, retaining employees, and maintaining a customer base while also reaching new clients. Research finds that between 1.4 million and 2.1 million U.S. small businesses could permanently close as a result of the pandemic.

The federal government has a key role to play in supporting small businesses, beginning with its own procurement of goods and services. The federal government procures goods and services from businesses across the nation. Small businesses face different challenges than large businesses throughout the process. In the American Jobs Plan, the Biden Administration is proposing to use the federal procurement process to help small businesses recover and create more jobs in local communities. Increasing access for small businesses to federal contract opportunities and removing unnecessary and complicated barriers is an important part of supporting their recovery.

## Small Business Contracting

For many small businesses, government contracts and subcontracts are key to their operations and success. However, the federal procurement process has grown to be more taxing and burdensome at a time when small business owners are struggling in the face of additional challenges. Small businesses often do not have the resources to compete at the same level that larger businesses do. Small business owners can spend hundreds of hours and tens of thousands of dollars completing applications only to be left empty-handed at the end of a long and expensive process. The process as it exists today disadvantages small businesses at a time when they need support more than ever.

The General Services Administration (GSA) manages the procurement process for the federal government. The current procurement system is based on two laws: the Armed Services Procurement Act of 1947 and the Federal Property and Administrative Services Act of 1949. Today, the Federal Acquisition Regulation (FAR) is the official set of regulations used by all federal agencies to make purchases and pursue government contracts. The Competition in Contracting Act (CICA) of 1984 started the government contract bidding process.

## Center Forward Basics

Center Forward brings together members of Congress, not-for-profits, academic experts, trade associations, corporations and unions to find common ground. Our mission: to give centrist allies the information they need to craft common sense solutions, and provide those allies the support they need to turn those ideas into results.

In order to meet our challenges we need to put aside the partisan bickering that has gridlocked Washington and come together to find common sense solutions.

For more information, please visit [www.center-forward.org](http://www.center-forward.org)

## According to a June 2021 10,000 Small Businesses Voices survey:

- When asked why they have not applied for federal contracts, small business owners that have applied for state or local government contracts cited these reasons:
  - **54%**: the federal procurement process is too **time-consuming**
  - **42%**: **insufficient information** on federal contract opportunities
  - **42%**: the federal procurement process is **too complicated**
  - **41%**: small businesses are **not adequately prioritized** so securing a federal contract seems unlikely
  - **31%**: the federal procurement process is **too expensive**

Additionally, the Small Business Administration (SBA) helps small businesses with opportunities such as certain federal contracting programs. The federal government has also implemented small business goals for federal agencies, namely that 23 percent of federal procurement dollars must be allocated to small businesses.

## Reform Proposals

The White House has introduced new federal procurement procedures in the American Jobs Plan that would help increase small businesses participation in the federal procurement process, specifically for infrastructure opportunities. The number of small businesses participating in federal contracts has declined significantly over the past decade. Notably, there has been a 38% decline in the number of small businesses participating as federal contractors for common products and services from 2010 to 2019. Simplifying and improving the Request for Proposal (RFP) process and requirements would create more transparency in the bidding process, strengthen accountability of prime contractors in their use of small business as subcontractors, and create an environment that would allow small businesses to thrive.

## Conclusion

88% of small business owners support Congress making changes to the federal procurement process to ensure small businesses are able to receive more federal contracts. Helping small businesses recover and create jobs by improving the federal procurement process will support communities across the country and the economic recovery more broadly. Congress and the Administration, through components of the American Jobs Plan and other efforts, have the opportunity to make the federal procurement process more equitable for small businesses and more effective for government contractors.

## Links to Other Resources

- Bipartisan Policy Center - [Fact Sheet: Small Business Procurement](#)
- Congressional Research Service - [Overview of the Federal Procurement Process and Resources](#)
- GMP - [What is Government Procurement?](#)
- McKinsey & Company - [COVID-19: Implications for business](#)
- U.S. Senate Committee on Small Business and Entrepreneurship - [Cardin Presses SBA on Steep Decline in Small Businesses Receiving Federal Contracts](#)
- The White House - [President Biden to Sign Executive Order Strengthening Buy American Provisions, Ensuring Future of America is Made in America by All of America's Workers](#)
- The White House - [The Office of Federal Procurement Policy](#)