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OFFICE OF FEDERAL
PROCUREMENT POLICY

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MEMORANDUM FOR CHIEF ACQUISITION OFFICERS
SENIOR PROCUREMENT EXECUTIVES

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SUBJECT: Increasing Small Business Participation on Multiple-Award Contracts

The President's Management Agenda (PMA) calls on agencies to create a diverse and resilient federal marketplace.¹ As part of these efforts, agencies are working to leverage the small business growth occurring in the nation's supply chains that support agency missions, reverse the significant decline of small business participation in the federal supplier base over the last decade, and increase contracting opportunities for small business concerns owned and controlled by socially and economically disadvantaged individuals (SDBs), as directed by Executive Order 14091, *Further Advancing Racial Equity and Support for Underserved Communities Through the Federal Government*. The Executive Order emphasizes equitable procurement practices and established a government-wide goal of awarding 15 percent of federal contract spending to SDBs in FY 2025.² Additionally, the Better Contracting Initiative (BCI) established by the Office of Management and Budget (OMB) calls on agencies to strengthen contract stewardship actions that help the Federal Government get better terms and prices by purchasing goods and services as an organized entity.³ Under the BCI, agencies are undertaking a series of actions to ensure effective contract outcomes in a tight fiscal environment.

Consistent with the PMA and BCI, the Office of Federal Procurement Policy (OFPP), the Small Business Administration (SBA), and the Federal Acquisition Regulatory Council (FAR Council) have worked together to identify actions that can help agencies both promote a diverse federal supplier base and advance contract stewardship when using multiple-award contracts. Several factors have made multiple-award contracts attractive vehicles for meeting mission

¹ PMA Priority Area 3: Managing the Business of Government, Strategy 1: Foster Lasting Improvements in the Federal Acquisition System, Goal 1: Create a Diverse & Resilient Marketplace.

² Section 7(a) of E.O. 14091 directed the Office of Management and Budget (OMB), in furtherance of the increased SDB goal, to establish a government-wide SDB goal for FY 2024. Consistent with that directive, OMB established a goal of 13 percent for FY 2024. See [OMB Memorandum M-24-01](#).

³ For background on the Better Contracting Initiative, see [FACT SHEET: Biden-Harris Administration Announces New Better Contracting Initiative to Save Billions Annually](#).

requirements since their formal recognition in statute and regulation nearly three decades ago.⁴ These benefits include the ability to meet mission needs in a timely and efficient manner at lower cost, which can be a critical consideration in a constrained fiscal environment. Equally important, because multiple-award contracts can support multiple agency requirements for common needs, category managers use them to send organized, enterprise-wide demand signals that otherwise may be weakened where agencies independently pursue their own open market acquisitions. These clearer communications improve awareness of the goods and services that the Government needs.

However, more must be done to increase small business opportunities when developing multiple-award contract strategies. It is important to maintain and strengthen the Nation's small business industrial base, tap into the agility and innovation that is more readily available with small firms, and continue to realize the benefits of using multiple-award contracts. Competitive small businesses that are able to participate on multiple-award contracts may find it easier to compete for work under the reduced administrative burden and simpler evaluation procedures used to support order competitions rather than pursuing competitions on the open market. In addition, a number of multiple-award contracts have been set aside exclusively for small business contract holders and many of these firms have grown to become large businesses, increasing competition in unrestricted multiple-award contracts and further building the economic strength of the country.

Management Guidance

OFPP, SBA, and the FAR Council have identified the following actions to strengthen small business participation on multiple-award contracts. These actions include earlier involvement of SBA's Procurement Center Representatives (PCR) and the agency small business specialist in the development of multiple-award contracts, express consideration during acquisition planning of on-ramps and consideration of the relative proportion of anticipated small business contract holders on multiple-award contracts, and clarification of the "rule of two" for order placement.⁵ SBA and the agency members of the FAR Council have each begun developing proposed regulatory amendments to address these actions.

In advance of any finalization of such regulatory amendments, which will be subject to notice and comment, OFPP encourages early agency adoption of these management steps, which can help agencies in meeting the SDB contracting goal they negotiated with SBA for FY 2024 in accordance with OMB Memorandum M-24-01, [*Increasing the Share of Contract Dollars Awarded to Small Disadvantaged Businesses for Fiscal Year \(FY\) 2024 and in Subsequent FYs*](#), and section 7(a) of E.O. 14091.

⁴ For a definition of multiple-award contract, see Federal Acquisition Regulation (FAR) § 2.101, 48 C.F.R. § 2.101. For purposes of this guidance, the term multiple-award contract does not include the Federal Supply Schedules managed by the General Services Administration (GSA). Schedules are continually open to new entrants and highly accessible to small businesses.

⁵ Under the rule of two, agencies set aside work for small businesses when there is a reasonable expectation of obtaining offers from two or more responsible small business concerns that are competitive in terms of market prices, quality, and delivery. See FAR Subpart 19.502.

1. Award of new multiple-award contracts

- a. Engage agency small business specialists earlier in acquisition planning for all multiple-award contract strategies. Agencies should carefully consider total or partial small business set-asides when planning new multiple-award contracts. This is especially important when contracts with small business incumbents are expected to be recompeted on a multiple-award contract. To reinforce careful consideration of small business equities on multiple-award contracts, the agency's small business specialist should notify SBA's PCR during development of the acquisition plan when the dollar value of the planned multiple-award contract meets the agency threshold for substantial bundling and:

- (1) the acquisition is not proposed to be set aside for small business; or
- (2) the number of small business holders is expected to be under 30 percent of all expected holders.

For these acquisitions, agency requirements and acquisition officials should invite the agency small business specialist and the SBA PCR to engage with the agency early in the acquisition planning process during the development of the acquisition plan. Agencies should include in the acquisition plan rationale, including the market research undertaken, when a multiple-award contract would not be fully or partially set aside for small businesses, or when a reserve would not be used. The explanation should be reviewed by the agency small business specialist.⁶

As a reminder, pursuant to FAR § 19.202-1(e)(1)(iii), the contracting officer should continue to provide the SBA PCR and the agency Office of Small and Disadvantaged Business Utilization with a copy of the proposed acquisition package and other reasonably obtainable information related to the acquisition no less than 30 days in advance of the issuance of the solicitation for a consolidated or bundled requirement. This action formally starts the time period for the SBA PCR to appeal to the agency, but additional days may be agreed upon by SBA's PCR and agency prior to solicitation issuance.

- b. Consider on-ramps when developing the acquisition strategy. Agencies should address in acquisition plans for new multiple-award contracts the use of on-ramps, which allow for small and large businesses to be added during the performance period for long-term contracts, which under FAR § 19.301-2(a) are those contracts that are more than five years in duration, including options.⁷ The acquisition plan should include, as part of the narrative in the plan, an explanation if no on-ramps for small businesses are planned for any long-term, multiple-award contracts where (1) small businesses are expected to enter

⁶ Nothing in this guidance is intended to alter an agency's authority to require its contracting officers and agency small business specialists to work together to try to resolve their differences before the small business specialist notifies the SBA PCR.

⁷ For examples of on-ramps in the context of multiple-award contracts, see "Use Cases and Documentations" under the "On/Off Ramp" tile of the [Periodic Table of Acquisition Innovations](#).

the market after the award of the contract, and (2) there is a sufficient volume of activity anticipated to provide meaningful opportunities for the added contract holders.

- c. *Promote supplier resilience.* SBA’s regulations at 13 C.F.R. § 121.404(g) recognize that an entity that outgrows its small business size status during the period of contract performance of a set-aside multiple-award contract should be allowed to remain on the contract as a small business until recertification. Accordingly, agencies are discouraged from using “off-ramps” to remove a business from a set-aside multiple-award contract because of a change to its size status, except where size status changes as a result of a merger or acquisition of the business.

2. Award of orders under new and existing agency and government-wide multiple-award contracts

- a. *Apply the rule of two to contract orders, with limited exception.* Except for orders citing an exception to competition (FAR § 16.505(b)(2), exceptions to fair opportunity, or agency procedures that reflect an appropriate exception), agencies should set aside orders over the micro-purchase threshold (MPT) for small business contract holders when the contracting officer determines there is a reasonable expectation of obtaining offers from two or more small business contract holders under the multiple-award contract that are competitive in terms of market prices, quality, and delivery. If not using an order set-aside, including on multiple-award contracts that have no or only one small business contract holder, the contracting officer should document the basis for the determination in accordance with agency procedures and:
 - i. explain in the documentation 1) how both small-business market research (including research of small businesses not on the multiple-award contract under which the order would be placed) and mission considerations (e.g., desired terms and conditions, performance periods, past performance of potential sources) informed the agency’s basis for choosing the multiple-award contract to fulfill its needs; and 2) what market research the agency conducted within the past 18 months, which could include research that was conducted when establishing the multiple-award contract or deciding to use another agency’s multiple-award contract on a repetitive basis; and
 - ii. provide a copy of the documentation to the small business specialist for any order over the MPT and ensure the specialist has a reasonable opportunity to respond.

The small business specialist should notify the PCR for any non-set-aside order over a threshold negotiated between the agency and SBA.

- b. *Maximize orders to small businesses under the simplified acquisition threshold (SAT) to the maximum extent practicable.* Orders under the SAT are more likely to be suited to small business performance due to their size and complexity. Yet, a significant portion of dollars in this range are not awarded to small businesses. Agency contracting teams should work with their small business directors to identify and proactively shift the buying strategies for recompetes of orders under the SAT to ensure that small businesses

are afforded exclusive set-aside opportunities for these orders where market research shows that small firms are capable. This joint effort should also inform where total set-aside multiple award contracts can reduce prevalent orders under the SAT that currently are not set aside. Senior Procurement Executives or their designees should work with their small business directors to measure the percentage of orders that are not set aside under the SAT. This action will enable the small business directors to work with SBA to capture information about non-set aside orders in supply chains where small business participation is typically strong or for priority supply chains where diversity is at risk.

3. Use of best-in-class contracts

Best-in-class (BIC) contract vehicles are enterprise multiple-award contracts that meet a rigorous set of criteria, including demonstrated use of category and performance management strategies and small business best practices.⁸ Small firms have proven to be capable and should be considered as new BIC contracts are developed. BIC status is reviewed annually. BICs have helped agencies realize cost savings of almost \$90 billion since 2016 and are an important component of the BCI to accelerate best value buying as an organized enterprise and help agencies get better return on their dollars in an environment of tight budgets.

As stated in OMB Memorandum M-22-03, [*Advancing Equity in Federal Procurement*](#), agencies should not prioritize spending on BIC solutions at the expense of meeting socioeconomic small business goals. However, it is important for agencies to remember that BICs and contracts designated as spend under management tier II have been used effectively to support a diverse and resilient Federal marketplace. For example, in FY 2022, agencies used the BIC-designated 8(a) STARS III government-wide acquisition contract (GWAC), which is a total small-business set aside with more than 1,100 SDBs, to award more than \$1.6 billion to 8(a) contractors to address a wide range of IT needs. The GSA VETS II GWAC BIC, which is a total set-aside for service-disabled veteran-owned small businesses (SDVOSBs), was used to award \$639 million to this underserved community. The National Institutes of Health's Chief Information Officers – Solutions and Partners 3 BIC, which features both small and large business contract holders, supported awards of \$542 million to SDBs; \$403 million to SDVOSBs, women-owned small businesses (WOSBs), and HUBZone small businesses; and \$3 billion to small businesses, which collectively accounted for 71 percent of total contract spend through the GWAC.

Across the 38 vehicles that are currently designated as BICs, contract holders include more than 2,850 small businesses, of which 1,866 are socioeconomic small businesses available to add diversity to any given agency's supplier base. From FY 2018 to FY 2022, small business utilization has held steady at around 38 percent of all BIC obligations. In addition, a number of BIC managers already are applying the best practices in this guidance, such as to plan for the use

⁸ An agency that seeks BIC designation of their enterprise contract must demonstrate a commitment to small business considerations by developing and executing a plan to maintain or increase small business participation wherever possible (e.g., agency small business specialist participation during acquisition planning, plan for use of on-ramps).

of on-ramps so that more socioeconomic and other small businesses can participate and receive work on these popular vehicles.

Challenges with respect to supporting a diverse and resilient federal marketplace vary by market segment as well as by agency marketplace. For this reason, acquisition, program, supply chain, and small business offices within the agency should work together to evaluate periodically where such challenges may be presented in the agency's contracting base, especially for the agency's largest requirements or high priority requirements. Agencies are encouraged to use the [Federal Supplier Base Dashboard](#) for this purpose.⁹ For example, the agency could use the dashboard to determine where its contracting base for a particular market segment, such as for IT software development, reflects a lower percentage of work with one or more categories of socioeconomic small businesses – in terms of spend or number of businesses receiving awards – than the average percentage for other agencies with similar missions.¹⁰ Agencies should actively seek new entrants as called for by OMB Memorandum M-23-11, *Creating a More Diverse and Resilient Federal Marketplace through Increased Participation of New and Recent Entrants*, by first determining whether use of a BIC could result in the addition of entities that are new to the agency's contracting base. If a BIC is not expected to produce this result, the agency should consider whether an open market set-aside would be a more effective way to meet its mission while expanding the supplier base. Agencies should consider use of the government-wide [Procurement Equity Tool](#)¹¹ and the [Dynamic Small Business Search Tool](#)¹² to support their search for new entrants. This targeted approach will help agencies support a diverse and resilient federal marketplace while simultaneously capturing the benefits of BICs, including significant cost avoidance that is important in a tight fiscal environment. And regardless whether challenges with respect to supporting such a marketplace are present, agencies are encouraged to take full advantage of BICs – or other existing government-wide or agency-wide contracts – using order set-asides consistent with this guidance to maximize small business participation.

To support agencies in conducting analyses to support a diverse and resilient federal marketplace and in determining where and how new entrants should be pursued, OMB will work with the Office of Shared Solutions and Performance Improvements at GSA, SBA, and agencies to create standard reporting tools. In addition, OMB and SBA will work together to identify

⁹ The Federal Supplier Base Dashboard allows agency managers to track the overall mix of new, recent and experienced small business contractors supporting the agency's mission.

¹⁰ Agencies could also use the [government-wide Category Management Small Business Dashboard](#), developed with SBA, to understand their small business spend on common goods and services. The dashboard displays Federal Procurement Data System (FPDS) data on small business awards, obligations within the 10 common spend categories, and year over year trends. It also identifies SDBs, WOSBs, SDVOSBs, and HUBZone small businesses available on multiple-award contracts that are tier rated under category management. The companion [Category Management Reporting Workbench](#) can be used by agencies to help track the level of small business participation at the category and sub-category level.

¹¹ The Procurement Equity tool was developed to help agencies perform market research to find entities, including SDBs, that are registered to do business with the Federal Government in relevant geographic, and product and service areas. The tool utilizes prime award data from the FPDS and vendor registration data from the System for Award Management.

¹² DSBS is the primary tool for finding small businesses that want to do business with federal agencies to see small business profiles and capability statements.

priorities for supply-chain strengthening where improvements can be made, as evidenced by data indicating that small businesses are underrepresented in a federal market segment relative to the economy at large, that dollars are heavily concentrated in a small number of market participants, or that the percentage of dollars going to small businesses is significantly higher through the open market than through multiple-award contracts.

Questions regarding this management guidance may be sent to the following mailbox:
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