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WEBINAR

FEDERAL PROCUREMENT AND ACQUISITION POLICIES:
REMOVING BARRIERS TO REFORM

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PANEL DISCUSSION:

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DARRELL M. WEST: Good morning. I'm Darrell West, senior fellow on governance studies at the Brookings Institution. And I am pleased to welcome you to our webinar on ways to reform the federal procurement and acquisitions process. So the federal government spends around \$665 billion each year on federal contractors. That is about 10% of the federal budget. A lot of that, of course, goes in the defense area and involves very large companies. But we also see considerable money going to small and medium sized businesses. Yet many firms complain about paperwork and other barriers in the application process. There have been many efforts over the years to streamline the applications process and make it easier for small businesses and disadvantaged firms to compete. So this week we have put out a new paper at Brookings on ways to reform the process, and we make a number of suggestions. One is to broaden the geographic distribution of federal contracts. Right now, about 12 states get two thirds of dollars. So there's relatively less money going to U.S. hardware. So we argue there's a need for greater equity on a geographic basis. We also talk about the importance of ensuring fairness, equity and transparency in the process, providing better access for small businesses and economically disadvantaged firms. Improving the training of government procurement officers who are actually supervising this process, increasing accountability by empowering end users in the selection process. Using technology and machine learning to learn from data, limiting the time period for legal challenges and learning from the reforms that have taken place in other countries. For those who want additional details, this paper is online at [brookings.edu](https://www.brookings.edu). And you're welcome to take a look at that. To help us understand these issues. We're delighted to have three distinguished experts with us. Elaine Kamarck is a senior fellow in governance studies at Brookings. She's also an alum of the Clinton administration, where, along with Al Gore, she helped arrange the government. Bibi Hidalgo is the associate administrator in the Office of Government Contracting and Business Development at the Small Business Administration. Mathew Blum is the associate administrator for Federal Procurement Policy in the Office of Management and Budget in the Executive Office of the President. And if you have questions for our panelists, you can email them to us at events at [Brookings dot edu](https://www.brookings.edu) or Tweet at [BrookingsGov](https://twitter.com/BrookingsGov) using hashtag [Brookings Procurement](https://twitter.com/BrookingsGov). So I'm going to start with a history lesson from Elaine. So you worked on procurement issues 25 years ago in the Clinton administration. What problems did you see then and how did you seek to address them?

ELAINE KAMARCK: Well, thank you, Darrell, and thanks for inviting me. This is a little bit like muscle memory for me because it's been a while since I delved into these issues. And actually, I'm really looking forward to hearing from Mat and Bibi about what's up and what they're facing today in set almost 30 years later. Among the big issues we tackled way back in the first term in the Clinton administration was federal procurement. And we had to we we had two problems to tackle. One was just the amount of red tape that had developed around the procurement system, and that was driving federal workers crazy. And the second, what were problems and I suspect these are still around problems buying information technology, although they were slightly different then than now. To give you an example of the first of the problems that the government workers were facing. Let me read you a a regulation that people had to follow in order to buy ashtrays. And I quote Ashe receivers tobacco desk type. The GSA outlined nine full pages of specs and drawings and the precise dimensions, color, polish and markings required for glass ashtrays that would pass U.S. government standards, as if the requirements that they included requirements that they and that they include a minimum of four cigaret rests parallel to the outside top edge of the receiver. The specs included that the ashtrays should be sturdy in order to see if they were sturdy enough. The specs required that they be tested. Okay, so to this regulation, a-a7 ten e led to Al Gore's appearance on the David Letterman Show. For the young people, that was a nighttime show where he donned goggles and broke an ashtray, according to federal specs. And here were the specs and I quote, The specimen should break into a small number of irregular pieces, not greater in number than 35. And it must not dice any piece one quarter inch or more on any three of its adjacent edges, excluding excluding the thickness dimension, shall be included in the number counted. Well, as you can imagine, we had a lot of fun with military specs and with general procurement specs. And while the Ashtray story was perhaps one of the silliest, there were many other examples. Steam traps that cost thousands of dollars have wasted energy while procurement officers waited to buy enough in bulk and they so they would save like \$10 on a steam trap, but

they would cost \$2,500 in energy wasted. The Defense Department had its own specs for chocolate cake mix and therefore its own chocolate cake mix. None of us could ever figure out why soldiers needed milk, pet milk specs for their cake mix. And all of these were indicative of one big problem with government procurement an overly centralized system that frustrated employees and that ended up costing the government more than it should. The second problem, and one which I expect you all are still dealing with, but I'll be curious to see what you say. A second problem with government procurement were the laws and regulations that failed to keep up with rapidly changing technology. When the Clinton administration came into office, commercial commercial computing technology was just taking off and federal workers wanted to know why they couldn't buy off the shelf. But the law at the time was made for an era when there were two sources of computer technology and hardware, EADS and IBM. That was it. And therefore, the law was created around the competition between these two giants and individual people didn't go into Staples and pick a pick up a laptop. Okay. That was just not what was going on then. So we grappled with both of those issues. I still remember going to see Congressman Jack Brooks, who is past. Away now, as you would imagine. And back then, he was pretty old. And Al Gore did his best to put on his best Southern accent to try to convince Jack Brooks that the world that he had created the law for in terms of computer technology was really not the world anymore. That the federal workforce really could have a whole variety of technology available, available to them through the commercial marketplace. So that was that was a big breakthrough, making that breakthrough for computer technology. We made a similar breakthrough when the Federal Aviation Administration had a pretty serious meltdown. I had a little deja vu in the last year of the FAA. But back then, the meltdown was that they were using very, very old technology in many of their towers. And in fact, it was taking them 18 months to buy new technology from from the time they put the money down to the time they they got it. That was obviously unacceptable and it was causing all sorts of trouble. So we grappled with these issues. We gave greater leeway to federal employees to buy simple things like office supplies from the commercial marketplace. And we simplified procedures for purchases under \$100,000, and most importantly, perhaps for today's issues, we passed a new procurement law which would allow agencies to buy information technology more quickly. In other words, it made no sense back then to have these long, long, long lags for buying information technology, because in that time the technology was changing. And that, of course, is the same today. The Federal Acquisition Reform Act of 1995 allowed for streamlined procedures for small dollar purchases. The Federal Acquisition Reform Act of 1996 created the Office of Chief Information Officer in Cabinet departments and made it easier to buy commercial information technology. But before I handed over to people who know more about this these days than I do, I want to just say in general, the kind of reviews that we did need to be constant red tape, complexity, technological obsolescence, all of these things that tie up the procurement system is a little bit like the kudzu vine, as we know. It grows quickly and it overwhelms. And that's why you have to constantly be on the lookout for things that are happening in federal procurement, in in fact, federal civil service and a lot of other agencies that are really inimical to progress and to doing the right thing and saving the taxpayer dollars. So with that, I'm going to I'm sure we'll come back to the problems today. But with that, I want to turn this over to people who know more about this these days and can talk about the problems and barriers these days. Thank you.

DARRELL M. WEST: Well, thank you, Elaine. That's an amazing story about nine pages of specs for an ashtray. Glad you were able to take care of that one. Also, we did it. Very important legislation. And that legislation actually still is very important for contemporary efforts. So, Mathew, I know that you have been involved with procurement issues for many years. What do you think are the biggest barriers now?

MATHEW BLUM: So it was great to hear Elaine's story here. I had the pleasure of serving in the Clinton administration and working on the National Performance Review, and I do think that the acquisition community has made important progress in shaping a system that is more responsive to the needs of our citizens. On both of the fronts that Elaine mentioned before, I mention a few of the remaining challenges. I did want to just mention maybe three areas in particular where I think it's helpful to us to see the progress that we have made in this journey for a world class

acquisition system. One is, I think that we've honed tools for conducting effective competition through streamlined acquisition procedures, multiple award contracts, interagency contracting, all of which are allowing us to do a better job at keeping up with the rapid pace of technological advancement and avoid avoiding those horrors that Allan mentioned. And also drew to mind Senator Cohen's famous Computer Chaos report that discussed how technology was outdated by the time the agency got it on contract and delivered it to the customer. I think probably the most transformative and consequential initiative in acquisition over the last decade has been category management, where we organize our buying activities for common goods and services around market segment. This has given our community a real jumpstart on supply chain management by changing the mindset of our workforce from a bunch of independent buyers to an organized community that can deliver impactful demand results. And this helps both our local buying organizations that aren't left to do market research on their own and frees up time for them to focus on more complex and unique buys. And it also actually helps. Are our businesses too small and large by creating greater certainty and consistency in market demand that is so critical to any business, their ability to manage and thrive. And it also helps tax payers by reducing costs and improving performance. We've also made great strides in creating an innovation friendly acquisition environment. After the HealthCare.gov crisis, many luminaries were wondering if our system was too rigid to keep pace with 21st century problems. And with the help of acquisition innovation advocates at every Cabinet, department and agency and a growing number of acquisition innovation labs, we have amassed dozens of techniques to help deliver value at the speed of need. We have a knowledge management portal. We call it the Periodic Table of Acquisition Innovation. That includes well over 100 artifacts from agencies demonstrating successful results with accelerated delivery, enhanced performance, improved customer satisfaction and lower cost. So I think there's a lot we can take pride in, but there is much work yet to be done to make our system even more effective. And I would offer five challenges, Darrell. First, we need to double down on our ability to collaborate and act as an organized entity. Despite the progress that we've made on category management, we continue to lack a repeatable process for bringing our requirements communities together with the acquisition community to create these organized demand signals. And this capability is essential to rebuilding the economic health of our domestic supply chains and the competitiveness of U.S. industry. And I think equally important, we must make sure we're instilling equity into all of our stewardship activities, including category management, so we can capitalize on the entrepreneurial spirit in this country, which has brought applications for new small businesses to an all time high. We are working closely with BP and the SBA and throughout the government to do just that with a series of actions to maximize the participation of these small, disadvantaged businesses and other underserved businesses in the federal marketplace, both in terms of the amount of spend and the breadth and depth of their participation. Third, we have to accelerate our efforts to create an innovation friendly acquisition environment. Our work to date has been helpful in sparking the creativity of the pioneers and their followers in our workforce. But we need and we need to keep that fire alive, but also do more to build an innovation mindset into the DNA of the broader workforce, such as by teaching innovative thinking to new colleagues at the same time as they learn our regulations. Fourth, we have to pay close attention to the workforce, the lifeblood of our system. I think many of you have probably heard the statistic that only 7% of our workforce is under the age of 30, and this statistic should serve as a reminder of the importance in ensuring that our next generation workplace is effectively attracting the workforce of the future. And lastly, but not least, we need to strengthen acquisition data management. The Federal Government generates billions of data points on millions of contracts awarded annually. Yet most of this data remains out of the reach of our workforce, and engaged workforce is a happy workforce and there's no better way to ensure a seat at the table than to make sure that our workforce has access to the information they need when they need it.

DARRELL M. WEST: Okay. Thank you. Mathew was a great lesson in terms of how the federal government is starting to improve the situation and the challenges that you think still remain. So, Bibi, I want to bring you into the conversation. And I know you focus on small and medium sized businesses. What do you see as the biggest barriers to those kinds of firms?

BIBI HIDALGO: Okay. Well, Darrell, first, thank you for putting this together and for your great work on this topic. And I think this is a really valuable conversation as we try to figure out what are the ways that we can achieve efficiency, but also ensure that underserved businesses have an opportunity to compete. And it brings me great joy to be here with Elaine Kamarck, who was my professor in grad school on American government and innovation. And so it's a proud moment to be able to share some of the work that we've done and that I learned through her work in the Clinton-Gore administration. And, of course, Mathew and I have had the opportunity to collaborate now on and off for over ten years. When I worked in the White House under President Obama, we had a major initiative called Crush the Goals, where we met for the first time in history, or actually, I should say, first time in close to a decade, the overall 23% small business contracting goal. And ever since then, I've been so engaged and invested in this work, realizing just the enormous impact that it has on us as a nation, and that how we represent ourselves around the globe, it's truly remarkable out of our overall contracting budget. \$154 billion goes to contracting for small businesses, 154 billion right now annually. And I wonder what other country in the world and say that to me, this is part of our secret sauce in a way, as a nation. When I reflect on my time at the Treasury Department, you know, at that time we were very focused on making sure that we could preserve the 30 year fixed rate mortgage. This was after the financial crisis. Also part of our secret sauce as a nation. And as I really delve deeper and deeper into this issue over the last decade, I realize this isn't something that we learn in school necessarily, or in our studies, in professional studies. But this is part of it. This is one of the major ingredients going as far back as as then-Senator Truman, who said we run the risk of clustering all our opportunity along the coast and along with major corporations unless we do something about it. And that was in 1943 when he got the Armed Services Procurement Act passed with a focus on small business contracting. And it's increased and evolved incredibly since then. But one of the things that President Biden realized and this became very apparent to us when I led the contracting review during the transition team for small business contracting, is that we have to figure out ways to ensure that we continue to create efficiencies and, as Mathew says, be stewards of taxpayer dollars, but also always ensuring that we're creating opportunity. But that is a critical tension that we need to balance to make sure that we're always creating avenues for firms to compete and for firms to innovate and ultimately get their foot in the door. And so on day one of the administration, he signed an executive order on racial equity in underserved communities. And he cites procurement there. And it is just so extraordinary to be able to start the administration with that right out of the gate, as Mathew can tell you. From the very beginning, we have been collaborating very closely with OMB, with the White House counsel's, with the major contracting agencies to figure out, all right, how do we put the policies in place that will ensure that we start to achieve further equity in procurement. And then following that, in June of 2010, the president went to Tulsa, Oklahoma. This was the 100th commemoration of the the the massacre on Black Wall Street. And that's where he committed the administration to a 15% Small and disadvantaged business goal. And that we would achieve that by 2025. And again, a really, really remarkable moment for us as a nation, because now we are all working in tandem to figure out every day how we get closer and closer to that 15%. And it takes real incredible coordination and collaboration to put all the policies in place to do that. One of the things we did in December of 21 is roll out a package of equity and procurement reforms, and I like to refer to it as ADAPT as an acronym, because it was focused on creating more access, leveling the playing field, creating more transparency, delivering on accountability. Some things that we did during the Obama administration and that we are now taking to another level. So I'll give you an example. During the Obama administration, we realized that we needed to flip the script somewhat and have more accountability within the acquisition workforce and among program buyers to go out of their way to meet more small firms, to meet more social economic firms. And so we put the goals that overall 23% goal and in some cases some of the agencies also the four socioeconomic goals into the performance evaluations of senior executive. So this was for buyers as well as acquisition staff. And that's one of the things we heard from a lot of the small business heads at the agencies is if you start with acquisition, you're too late. You have to start with the agencies, the buyers that have the purse strings and make sure that they're developing the relationships with the small businesses and the minority owned businesses and women, old and tribal. And so performance evaluations was key for it to help us get to that 23% goal. So we've since done that. Now under

President Biden, we reintroduced that, but it's across now all 24 agencies and it's all five goals. So it's the overall 23%. And these are all congressionally mandated goals. But now these are the ones that are in the performance evaluations. The small disadvantaged business school, the women of business hub zone and service disabled veterans. So that was one of the key components in terms of transparency. This is one of the things I'm most excited about is for the first time in United States history, we released the data disaggregated by race and ethnicity. And so we can see as based on what we call like the presumed disadvantage categories, just how much this contracting opportunity is going to black owned businesses, Latino businesses, Asian-American and tribal and South Asian. And so we have that broken down on the SBA website for fiscal year 21. And this is part of our great challenge because, again, we have such an enormous amount of opportunity going to small businesses around the United States to minority owned businesses. But still, as far as black owned business contracting, we're only at 1.6%. 1.6% of all federal contracting dollars going to black owned businesses. Now that 1.6% is \$9 billion, 9 billion that go that is awarded to black owned firms across the United States annually. And so I often say imagine. Just imagine for a moment if we were able to double that, because the talent is there, the businesses are there. It's just a matter of making those connections and ensuring that our acquisition workforce and our buyers are able to connect with the firms that have this incredible skillset that they can offer the federal government. But if you if we were able to get to 3.2%, that's another \$9 billion. And among black owned firms in the United States, that's \$9 billion in additional opportunity and jobs and lifting communities. And the same thing with the Latino community. We're only at 1.78% of Hispanic owned business contracting. And again, that's over \$10 billion. So that's part of what we're really focused on right now is how we create those that access to opportunity to not just small disadvantaged businesses, but also underserved firms among small disadvantaged businesses. And one of the things that we did together with Matthew and the team at OMB is ensure that all the socioeconomic firms, women, pubs, own veteran minority owned where we're part of the category management caring system. So as of December of 21, all socioeconomic, that's about 30,000 firms were automatically considered tier two in category management, which is the system that Mathew talked about that creates efficiencies. At the same time, we wanted to make sure created significant opportunities for the firms that have the ability to to partner with the federal government. So I will I will finish my remarks by saying I remember so clearly the ashtray example when I was in graduate school and and she got my attention then, and she has it now for sure. And it's so enjoyable to be able to put some of these ideas into practice to figure out how we continue to streamline, but also continue to create as much access as possible, because that's what makes us so extraordinary as a nation.

DARRELL M. WEST: Thank you for that overview and also for setting very ambitious goals for what you'd like to accomplish in the next few years. So, Elaine, I want to come back to you. What reforms would you like to see? How do you think we can improve the contemporary process? I'll let your muted if you could get your stuff, please.

ELAINE KAMARCK: Yeah. One way and I was thinking about this says Bibi, who makes me very proud as a student as she was saving these statistics. What? I think the story may be better than she is saying, and for the following reason Such an outsized portion of our procurement dollars go to defense and they go to the acquisition of these gargantuan projects. Take the B-21 Raider. Okay. This is the new stealth bomber. Very cool plane. It's clocking in at \$700 million per plane. It'll be \$2 billion by the end of the decade. And, you know, Northrop Grumman is making that. I mean, there's no there's no small business that's going to make the B-21 Raider. And so I wonder if, in fact, the story is a little bit even better because some of these weapons systems, you know, they're not going to be made by small businesses ipso facto. They're going to be built by huge publicly traded companies that are in the defense space. They're Boeing. They're Lockheed Northrup, Northrop Grumman. And I would ask both Bebe and Matthew if there's been any progress on the question of subcontractors, because remember, these enormous military contractors, they have tons of subs, right? They have hundreds of subs spread out across the United States, etc.. And it seems to me that you could do two things here. First of all, separate out these big projects, and I think your numbers look even better. And then secondly, have a look at the subcontractors. And

are those subcontracts of these enormous, you know, military contracts, are they going to minorities and women owned business and disadvantaged businesses?

BIBI HIDALGO: [Inaudible]

DARRELL M. WEST: Thank you. Thank you, Elaine. Maybe Mathew, we'll start with you on that. I don't know if you want to respond to a specific question on some contractors and how you can break out the data. But I also want you to talk about kind of the efforts that the Biden administration has made in creating new goals for itself. If you could describe those efforts and what you're trying to accomplish.

MATHEW BLUM: To add to specifically to Elaine's comment, I think you're spot on. And one of our one of the initiatives that Bibi and I will be working more closely and specifically on is on subcontracting. I think the timing is actually great because everything that we're doing is focused around supply chains and we are for many reasons, economic reasons, security reasons, domestic sourcing reasons. We want to bring those supply chains closer to our workforce. And we've always recognized, frankly, that subcontracting is the gateway into the marketplace. Today's subcontractors are tomorrow's prime contractor. So we really do need to do more in and build on the efforts that we've taken to date to make sure that we're doing a good job in negotiating with our prime contractors for effective subcontracting plans. We want them, and we know that they are looking to build diversity into their supply chains. And when they do that, that helps the federal marketplace. So I think it is absolutely a spot on the correct point that we need to be paying more attention to our subcontracting and making sure that, you know, those relationships, although we don't have privity of contract, that they should feel part of the marketplace in our initiatives should reach an impact then. Lifting up for a minute to our priorities more generally. They are laid out in the President's management agenda through a three pronged strategy. The first is focused on creating a diverse and resilient federal marketplace. And this prong includes increasing the number of new entrants and improving our ability to retain entrants and reverse the decline in the supply chains. Where we need more capacity and capability. This prong also includes increasing adoption and adoption of innovative buying practices on our knowledge management portal. Innovation really goes hand in hand with advancing equity and bringing small businesses into a marketplace. As Congress acknowledged in the price that many innovative buying strategies are designed to reduce debt and proposal costs such as using technical demonstrations or code challenges for IP or virtual or oral presentations. And these strategies can build resilience and address the small business complaint. General, that you noted in your article about government paperwork and cost because they save the expense of having to hire a professional proposal writer, but they still enable agencies to evaluate risk and probably in a better fashion to determine if a particular vendor is a good fit with the agency team. And this prong also includes a direction to strengthen domestic supply chains through increased program project and buying office participation. Pilot plans to organize federal demand. As I mentioned earlier, we need to do more to bring this program people into the conversations early and get the acquisition folks aligned so that we can send those organized demand signals. We can build the relationships that Bebe is talking about and not first thinking about that when we're ready to or we have something that is ready to go on to our contract. So that's the first product diversity and resilience in the marketplace. The second prong involves strengthening the management of acquisition data. And as I mentioned earlier, our workforce. It requires and needs on demand access to reliable information across the federal enterprise to make informed planning decisions at the point of need. And a good example of this is what we just did in the equity space this winter. So in February we issued guidance directing agencies to begin benchmarking and tracking their efforts to bring in new entrants. But we didn't stop there. We simultaneously rolled out a supplier based dashboard that for the first time identifies for each agency the mix of new, recent and established entities doing businesses across the government and in their agency. What is this? What is the impact of doing this? Well, it allows a head of a contracting activity to see how her agency compares to other agencies with similar missions and confer with those that may be having greater success in building diversity within their market. It allows the category manager to evaluate the breadth and depth of participation in a market segment and have a strategic conversation with companies who are industry leaders to see

how their supplier basis compares. And I should I should note that this this dashboard, in addition to providing information on new and recent entrants, also indicates their socioeconomic status, which is critically important as we as we rebuild our supplier base. And we also launched a second tool, procurement equity tool, to help contracting personnel with their market research to identify information on socioeconomic.

DARRELL M. WEST: Mathew, I'm not hearing you anymore. I don't know if somehow you got muted or what. Okay, Well, Mathew is figuring out his connection issue. Maybe Bibi we can come to you. And I don't know if you wanted to address the subcontracting issue or kind of more generally what SBA is doing to try and improve the process from its standpoint.

BIBI HIDALGO: Yeah, definitely. Because this is actually a really big challenge for us. Again, when we came in at the start of the administration and we pored over the data, we realized that we've lost 40% of our small business contracting industrial base over the last decade. Many firms now that are actually forced to be subcontractors and could no longer be prime contractors. And that's that is. Something that we need to be very careful, again, as a as a country, because even though we're finding efficiencies at the same time, there are costs to communities sometimes. And that's what we need to keep front and center. So as far as, you know, the president's focus and signing the executive order was on equity in procurement and. A lot of firms, as I've traveled all throughout the United States, are, you know, concerned that they now have to default to subcontracting, and then they are not direct contractors to the United States government. So subcontracting, as Mathew said, is certainly a gateway and it is critical for our firms. But this is part of what I love about this job is that we have very clear prime contracting goals set by Congress. And I don't know if any other country in the world is that focused on prime contracting, but that's what really, really empowers our small business industrial base when they can say that Nasdaq is their direct client, when they can say defense is their direct client, when then they have that opportunity to really build out their employee base and opportunities, you know, across their portfolio. And as far as what we do, fortunately, is refer to small business eligible dollars. So thankfully, when we when we do set our goals and look at the dollar volume, it's based on what is eligible for a small business to compete. So they can't build necessarily, you know, the engine for a major, you know, B-1 bomber. But they can, as the president has said, they can build that small firm, for example, in Scranton, Pennsylvania, that builds the handrails for the for the Navy deck. You know, to you and me, that may not mean anything. But to them, it means the world to their employees. It means the world. And that's where we provide that gateway to larger opportunities. So I'll give you an example. In my office, we negotiate with the agencies particularly. I have a whole team of what we call procurement center representatives. Sometimes I refer to them as the watch towers. Again, remarkable that we have this in place. All my my team, a PCRs review, all these acquisitions, particularly if they're contracts that are being bundled in, are becoming inaccessible to small firms. So we noticed one four \$7 billion that there was no small business designation. And the thinking might be, well, you know, this is for for warfighters. And small businesses can't do the work. Well, when they sat down and negotiated with my team of lawyers and procurement center representatives, they were able to carve out 2 billion of that 7 billion for small businesses. That's over a decade. And also for the first time, for a bundled contract, we were able to carve out a small disadvantaged business within that. So I would caution that whenever we see any of these major contract opportunities and in reality there is a lot of opportunity for for small firms, there are all the different component parts. And in the case of that bundled acquisition, the large corporation, you know, was able to convince the acquisition team that they would they would do a great job in subcontracting. And that's what often happens is the large will say, we'll take care of it and we'll be on manage the subs. But what we hear from the firms is that has a huge impact on our ability to compete and our ability to partner directly with the firms and our ability to to really grow our business model. And they're they're asking us to always keep our eyes on that prime contracting opportunity, not losing sight of the subcontracting. And we actually put together a really robust plan for that, for build back better, as we like to say, rest in peace, build back better. But we did. And to really, you know, have more accountability around subcontracting. And to also make sure that it was in fact really a gateway to be able to go from being a sub to a prime. So we're working now with the Limited, since we don't have those resources where we're looking now to see where else

we can make regulatory or policy changes to improve that. But that said, the eyes, the prize here is prime and that that's again what's part of our major ingredient and success as a nation is that small firms can partner directly with the United States government and really grow and have enormous potential from there.

DARRELL M. WEST: But I thank you for that. In a minute, I'm going to move to a question from the audience, but I have one question for Mathew and Bibi. Mathew, I'll start with you, which is how to broaden the geographic distribution of federal contracts. So in my report, when I looked at the state breakdown, basically much of the federal money is going to about 12 states. Are there ways to incorporate geographic distribution as a factor just so we can improve the equity from a geographic standpoint?

MATHEW BLUM: So I apologize when I got disconnected. I don't know if you heard me, if I could be mentioned, but one of the tools that we've launched on equity is a new becoming an equity tool that actually will help with that specific issue. It's designed to help our contracting personnel with market research efforts to identify information on our socioeconomic and other small business contractors who sell in sectors or geographic areas where an agency seeks increased representation in its contracting base and entities that have never received a federal contract award. And with this tool, a contracting officer either in headquarters or in the hinterlands, can see the geographic layout of all the vendors registered to work with the federal government, and they can both see where their place of business is. And they can also see where the government has awarded contracts and where their agency has awarded contracts. Now, in most cases, this isn't going to mean that the business is going to automatically receive awards since we don't. Agencies have limited authority to do direct awards, although they could do that through SBA's aid program. If they find a qualified entity in a geographic area of interest. But it gives the agency the important ability to reach out to entities in these underserved populations that aren't getting a lot of work and might be interested in participating in an agency competition so they can speak to them about the mission and the capabilities. They can talk to each other. And I think by increasing interest in participating in competitions is the first step to getting more awards in many of these states that that you've mentioned aren't currently getting active dollars in federal procurement.

DARRELL M. WEST: Thank you. Bibi anything you'd like to add on the geography front from an SBA server?

BIBI HIDALGO: Yeah, I think it's a really excellent point. We've been looking at the map and I heard the data point you, you gave the one of the ones that we often say is over 50% of opportunities are concentrated in 35 congressional districts around the country. And so heartland, for example, is an area where we can really work to make more inroads and fortunate. That's where the president went to make his announcement when he was in Oklahoma. I had the opportunity to visit an extraordinary tribal entity in Nebraska, and they're just doing some phenomenal work. They were hired by the State Department to help to work with the Iraqi government to draft their constitution. They were also hired by state to create basketball programs and infrastructure with within Iraq. So it's just remarkable what some of the small firms are doing and associate economic firms are doing. But also, they have a model where they they reinvest in the local tribal community, the Ho-Chunk tribe, and, you know, creating senior housing and scholarship programs and early learning initiatives and and really doing extraordinary work through the aid, a sole source program to lift the community out of poverty. And so it's examples like that where I think we can continue to engage firms in areas that historically are not represented in federal contracting and find ways to continue to empower them. All tribal land, for example, is considered a hub zone. So if at least 30% of their workforce is also living in a hub zone, then they can also get a hub zone designation. So we're looking at all the ways to try to continue to create access and in areas that are not as represented and our through our efforts to also attract new entrants, that's also really critical. And that's something, again, as Mathew mentioned, we released that in our procurement reforms to ensure that it's that we're bringing back the industrial base, the small business base, and we're bringing in new entrants into the federal marketplace. And it's exciting because we have a lot of agencies coming to us asking for for firms that are new to the

marketplace and are trying are developing strategies to bring them into the fold. So I think we're going to see a lot of growth in other parts of the country as a result.

DARRELL M. WEST: Okay, great. Thank you. So we're starting to get some great questions from our audience. Zoe Rider of the Project on Government Oversight wants to know whether any of you can imagine an e-procurement type of platform for the United States. And Zoe points out that other countries already are doing this. Is this something the US can watch?

MATHEW BLUM: So I would I would note and I think you actually referenced it in your in your article, Darrell, I would do it doing a lot with would procurement, but one that, you know, may be a way to bring in some small businesses that aren't currently in the marketplace is GSA is a platform that was designed under was that that Congress passed and is designed to meet businesses where they are. So there are several of the largest commercial platforms you can have them that have tens of thousands of small businesses on them. And right now we have four very small dollars out words that you can make using the purchase cartridge back to the National Performance Review that are that are easy to make businesses, I should say buyers, federal buyers can engage with these small businesses that are already doing business on these platforms. So even before they have to invest, the businesses have to invest a lot of dollars in all of understanding all of the government unique requirements. They have an opportunity to get their their toe wet and experience what it's like to do business with the federal federal marketplace and individual agencies and their missions. And once they do this, um, we are encouraging our guidance that we just issued. We're encouraging agencies to have these businesses if they want to do larger scale spend to get registered to do business with the government. We have lots and lots of tools for very small dollar acquisitions using simplified procedures that allow them to build their resilience and to to kind of increase their their their presence in the federal marketplace. So I think that taking greater advantage of these of these portals can be a great way to meet businesses where they are so that at least initially how they do business with us is very similar to how they're doing business with the private sector. And it goes back to Alan's point from from early on. You know, for a lot of our cost type purchases, we want to be able to take advantage of those economies and buy things off the shelf, just like commercial buyers do, and not make companies develop separate business lines or invest heavily in understanding government requirements that really aren't as important, you know, in that market space.

DARRELL M. WEST: Thank you. So Akkad still has a question about purchasing air systems. So she is with the American Association for the Advancement of Science, and she wants to know what procurement regulations need to be updated to purchase air. Anybody wants to away.

ELAINE KAMARCK: Yeah. You know, I saw this in the questions earlier, and I don't have an answer to it because I don't know enough about it anymore. But it does strike me that, you know, back in the nineties, we were really on the cusp of an explosion of the information technology market. Okay. People were buying laptops, phones and etc., things that we take for granted nowadays that that a lot of tons of Americans have was that marketplace was just coming to be. And of course the procurement rules and regs were way behind the eight ball. When I saw this question, I thought, Wow, this may be just like it was then, only now for A.I.. And what it brings to home to me is and I think this was an issue that you touched on in your paper, Darrell, is training the procurement workforce. We just we're going to really need a very, very much more sophisticated workforce to evaluate air procurement, to judge when it is useful to it, to an agency to to enter into these contracts. It just seems to me we've got a whole new world opening up in front of us. And I'm anxious to hear what the smart people working in the government today have to have to say about it.

DARRELL M. WEST: Mathew or Bibi, that would be one of you.

MATHEW BLUM: So I could care less. Start there with workforce development. I think you're exactly right. Elaine and I did mentioned earlier what it meant when my phone disconnected, that the third prong of the PMA involves developing an inspired and engaged acquisition workforce so

that we can attract the workforce of the future. And one important step that we took recently was to modernize our model for professional growth from one that's built on multiple certifications and classroom training early in a career to a foundational certification that allows a member of the workforce to build their technical skills and acquire competencies by obtaining credentials at the point of need. We did this after HealthCare.gov. We built that credential on digital I.T. and worked with the US Digital Service. So that and very much built on the principles of apprenticeship and learning at the hands of experts to acquire needed skills. And that instance for buying cloud computing, software service and the like. I think we've trained more than a thousand members of the workforce through the called the Digital I.T. Acquisition Program or Die cap. And many of them are not only digital experts, but their leaders in the use of many of these innovative modern buying practices, agile acquisition and the like. And I think similarly as we think about I you know, I think everybody listening knows that the great powers that AI has and we need to, you know, have practices that encourage and enable us to take advantage of those technologies. But we have to do it in a responsible manner and and make sure that we understand, you know, what are the consequences of AI doesn't replace human intelligence. And so as we move forward, we need to make sure that the protocols that or again, lowering barriers to entry so that we can, you know, leverage that power, but also do so in a responsible manner. And we need to think about the skill sets that are needed for our workforce and being able not only to negotiate appropriate terms that make sure that whether we're buying A.I. for the purpose of doing smarter research and acquisition, or it's embedded in systems that we use to help with human capital or detecting fraud, that we understand how that A.I. is working, how those algorithms are working, and training is right. We're going to need a level of expertise to understand what questions we should be asking and what expectations we should be putting on contractors, and then how we can provide effective oversight to make sure that those things are happening so that we're not exposing ourselves to unnecessary national security risks or human human rights challenges. So there's a lot there, and we have to think carefully through the best way forward to get that effective balance of promoting innovation, but also doing it in a responsible manner.

DARRELL M. WEST: I think we have time just for one more question. Earlier, we were discussing supply chain issues and how they are affecting procurement and acquisitions. And this deals with domestic sourcing of products and the Buy America Act, but also geopolitics, the security issues that are popping up out of these kind of supply chain issues affecting how you think about acquisitions and procurement. Bibi, I don't know if you have any particular comments on that.

BIBI HIDALGO: I mean, we we talk about is kind of it's a perfect example of how we need to really empower and invest in the firms and in the United States and rebuild manufacturing. And this is something that the president has been highlighting in his recent travels, like to Syracuse, New York and elsewhere. And so from a small business standpoint, we feel like that that's what can give us a cutting edge is to empower the firms that haven't had the opportunity to offshore and have their operations here and help them grow and scale so that we don't find ourselves in a similar situation again with such severe supply chain shortages. I know through the initiatives that Mathew has created, they have some additional thoughts on really shoring up our supply chain. But without a doubt, we see this, and I know the president as well as this is an opportunity to empower our small business industrial base, provide them access to the capital that they need, and also to ensure that they're gaining access to the contract opportunities so they can build out these critical supply chains.

DARRELL M. WEST: So I think your thoughts on supply chain issues.

MATHEW BLUM: Yeah. So I would just say, you know, next year, by the way, is the 50th anniversary of our office, the federal return policy. It's a great inflection point, and we've been doing a lot of thinking about as we look forward increasing our retention and our capabilities around supply chains. And we've talked a little today about the erosion of some of those supply chains and how we need to rebuild them. This is complex and it's going to take time. It's not going to happen overnight. But what we do know is that it requires an approach that avoids boiling the ocean, where we can't just say, you know, we have tens of thousands of contractors and we need to just add

10%. We need to look at identifying and evaluating priority supply chains where domestic capability and perhaps capacity is lacking or where diversity is at risk. And it needs to be a whole of government approach that has the active participation of our category managers, our small business specialists, the program owners, and understand the demand side challenges. Our industrial policy and manufacturing experts, including our friends and our new Made in America office, all of whom can bring insight into supply side considerations. I think that's the way that we're going to be able to rebuild the and ensure the strong breadth and depth of entity participation in that market segment, because there are still many variables that that affect the economic conditions relative to a supply chain. We need to do this by identifying priority supply chains and then doing a whole of government, bring the community together to help figuring out the best way to strengthen the supply chains.

DARRELL M. WEST: Great. Terrific. Well, I want to thank Elaine, Bibi, and Mathew for sharing your insights. It's a great conversation. We appreciate you taking the time to join us. And those of you who are interested in other ways to reform the acquisitions process. You can check out my new paper on that topic at Brookings.edu. So thank you very much for tuning in.

BIBI HIDALGO: Thank you.