

## Impact of GSA's Information Technology Cooperative Purchasing Program on Small Businesses

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Cooperative purchasing is a buying method that pools buyers in order to procure products or services in larger volumes, thereby leveraging lower prices, a wider selection of services, and other favorable terms from suppliers. To allow local jurisdictions to take advantage of cooperative purchasing arrangements available to federal government agencies, Section 211 of the E-Government Act of 2002 directed the General Services Administration (GSA) to open up the federal supply schedule to state, local, regional, or tribal governments (including local educational agencies or institutions of higher education).

In 2003, GSA opened up the federal supply schedule for information technology (IT), or federal supply classification code group 70. This group is defined as automated data processing equipment (including firmware), software, supplies, support equipment, and services. The primary motivation for this rule, according to the agency, was to "make 'government' (considering all levels) more efficient by reducing duplication of effort and utilizing volume purchasing techniques for the acquisition of IT products and services."<sup>68</sup>

Some individual state and local governments have laws giving preference in procurement decisions to small businesses based in their jurisdictions. Many states also have unique IT cooperative buying programs. Has the federal IT cooperative purchasing program affected state programs and the businesses that participate in them? This paper reviews GSA's IT cooperative purchasing program, and it evaluates other cooperative purchasing programs that are available to state and local officials. In particular, this analysis focuses on the impact of such programs on small business owners, who may or may not benefit from this arrangement.

### Overall Findings

Currently, 30 states have authorized their agencies to use the GSA cooperative purchasing vehicle. Several others, most notably California and Texas, have integrated the GSA IT schedule into their own state-sponsored multiple-award schedule program.

In the first two years since the GSA IT cooperative purchasing program was implemented, usage of the program has increased, and the majority of the vendors who have been added to the schedules are small businesses. With that said, current estimates of the size of the state and local IT market suggest that GSA's cooperative purchasing program represents a small fraction of total non-federal IT government spending.

### Highlights

- Since the start of FY 2004, total GSA cooperative purchases have grown 87 percent, from \$75 million in FY 2004 to \$140 million in FY 2005.
- The cooperative purchasing program now includes a combined 5,160 unique vendors holding 5,198 group 70 IT schedule and 113 corporate schedule contracts. Of these vendors, 4,469, or 87 percent, are self-declared small businesses.
- The small participating firms that were active during FY 2004 to FY 2005 accounted for \$105 million, or 49 percent, of total GSA cooperative purchases over the first two years of the program's existence. In FY 2004 and FY 2005, the small business cooperative purchasing dollar share was 67 percent and 39 percent, respectively.
- Non-federal government participation in cooperative and IT purchasing programs is widespread, making GSA's cooperative purchasing program one

<sup>68</sup>68 Federal Register 24372-24382 (May 7, 2003)

of numerous IT purchasing options available to state and local governments.

- Many states have implemented a simple registration procedure that permits state agencies and local governments to incorporate GSA schedule terms and conditions into state contracts. (This process is known as “piggybacking.”) In this manner, states can incorporate the most beneficial contract terms, negotiate their own prices as well as additional terms, and still maintain control over the contracting prices.

- In interviews with state procurement officials, many were open to using the GSA IT cooperative purchasing program and weigh purchases from it with other options. Others cited reasons that they might not use it, including the high cost of the 0.75 percent industrial funding fee and existing state procurement laws such as small business purchasing requirements.

## Scope and Methodology

The information about federal cooperative purchasing was obtained from GSA’s Operations Support Division. This paper also reviews a number of non-federal IT and cooperative purchasing programs. These programs are the following:

- U.S. Communities Government Purchasing Alliance;
- Western States Contracting Alliance (WSCA I and WSCA II);
- WSCA and National Association of State Procurement Officials Personal Computer Cooperative Contract;
- California Multiple Award Schedule Program;
- Texas Multiple Award Schedule Program;
- Texas Catalog Information Systems Vendor Program; and
- Missouri “Smart Buy” Program.

Finally, these findings were supplemented with a series of eight informal phone and in-person interviews with state procurement administrators. The in-person interviews were conducted with officials from Arizona, California, Minnesota, New York, Maryland, Texas, Virginia, and Wyoming. Some information was also obtained through a formal written survey or by phone interviews.

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

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