

# *The Potential Effects of Raising the Micro-Purchase Threshold*

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## EXECUTIVE SUMMARY

This paper examines the effects of raising the Micro-Purchase Threshold (MPT) from its current limit of \$10,000. Examining administrative and real costs associated incurred when using simplified acquisition procedures rather than micro-purchase procedures, our research confirms that even an increase of \$10,000 to the MPT would deliver savings. Our analysis determined that increasing the MPT from \$10,000 to \$20,000 would deliver savings of more than \$30 million annually, and larger increases would deliver significantly higher savings.

The paper also reviewed the effects of any MPT change on small businesses. While small businesses appear to do better under simplified acquisition procedures, there are significant problems capturing the socio-economic status vendors receiving micro-purchases. The Commercial Platforms Program may provide ways to increase small business participation for micro-purchases while maintaining important compliance regimes.

The paper recommends that Congress seize the opportunity for savings by increasing the Micro-Purchase Threshold. Additionally, it suggests Congress and the Executive Branch make it easier to capture the socio-economic status of the businesses participating in the Commercial Platforms Program that are not traditional government contractors. Finally, both branches should consider incentivizing

agencies using the CPP to choose small vendors.

## Objective

Our objective was to conduct analysis of the key issues related to raising the micro-purchase limit to a variety of dollar thresholds. Our effort reviewed data and methodologies used to justify previous increases in the MPT and employed similar methods to understand the costs and benefits of raising the micro-purchase limit from its current \$10,000 to \$20,000, \$30,000, \$40,000, and \$50,000. Specifically, the report examined: (1) whether changes to the micro-purchase threshold affect the cost of procurement; and (2) how changes affect the participation of small businesses.

## Overview

The Federal Acquisition Regulation (FAR) governs the acquisition process for federal agencies in the United States. Part 13 of the FAR specifically addresses simplified acquisition procedures, including the micro-purchase limit.<sup>1</sup> The micro-purchase limit refers to the maximum dollar threshold at or below which government agencies can make purchases without having to undertake a formal procurement process. For purchases that fall below this threshold, the Government Purchase Card (GPC) is the preferred method to acquire supplies and services. Initially set at \$2,500, this limit has gradually increased

over the years and currently stands at \$10,000.

The micro-purchase limit serves several purposes. Firstly, it allows government agencies to quickly and easily acquire goods and services that are below the threshold without having to follow lengthy procurement procedures. This helps to expedite small purchases and facilitates the acquisition of low-value items needed for day-to-day operations. Secondly, it encourages the participation of small businesses by simplifying the acquisition process and reducing the barriers to entry. Lastly, the micro-purchase limit helps government agencies meet their needs in a cost-effective manner by providing flexibility for low-value purchases while still maintaining necessary oversight and accountability.

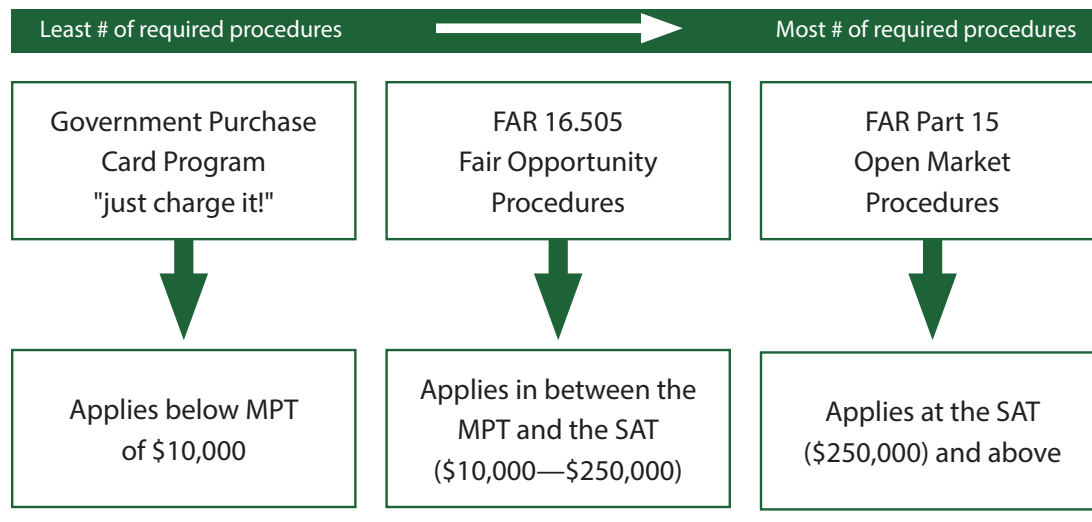
Overall, the micro-purchase limit is a valuable tool that promotes efficiency, accessibility, and prudent spending in government procurement processes. However, Congress and regulators have long recognized that the efficiencies and flexibilities found in the procedures that apply to the micro-purchase threshold require tradeoffs related to the other objectives inherent in government contracting, such as trade policies, social and socio-economic policies, and security policies.

Given these tradeoffs, this study examines the effects of raising the micro-purchase threshold upon govern-

## A Continuum of Complexity and Opportunity

Figure 1. "Continuum of Procurement Complexity"

Number (#) of required Acquisition Procedures (complexity = time &amp; cost)



ment contracts administrative practice and the effects on small business purchasing. Would raising the MPT further streamline acquisitions and be in the government's best interests?

To undertake this assessment, this paper begins with an examination of the specific acquisition procedures (and their costs) applicable to purchases below the MPT. The structure of these administrative procedures are a primary driver of government's acquisition costs, both in terms of compliance burdens and time taken (known as Procurement Administrative Lead Time or "PALT").

Raising the MPT results in more procurements falling within its purview. Concomitant with this increase would be an equal reduction in the use of different acquisition procedures applicable to procurements in excess of the MPT.

Therefore, this paper will also examine the procedures for procurements along the continuum of procurement complexity, focusing on procurements under the simplified acquisition threshold (SAT)

made without relying on multiple award contracts. Once these burdens have been baselined, the paper will examine various methods of quantifying potential savings in administrative and real costs associated with adjusting the MPT. Finally, this paper will look at the implication of any changes on the industrial base, specifically on small businesses, before concluding with recommendations on how to best balance the need for more small contractors with a desire for administrative savings.

#### A CONTINUUM OF COMPLEXITY AND OPPORTUNITY

Figure 1 illustrates the three basic levels of acquisition procedures:

1. procedures applicable to micro-purchase acquisitions;
2. procedures applicable to procurements that exceed the micro-purchase threshold but fall below the simplified acquisition threshold

(SAT); and

3. procurements that exceed the SAT.

#### WHAT IS THE CURRENT MICRO PURCHASE THRESHOLD?

For the vast majority of procurements, the MPT is currently \$10,000. While this paper will focus on Federal Open Market procurements with this threshold, it is important to recognize that other MPTs exist and apply.<sup>2</sup>

#### WHAT PROCUREMENT PROCEDURES APPLY TO PROCUREMENTS UNDER THE MPT (\$10,000)?

Micro-purchases are governed by FAR Part 13.2. First, it encourages agency-heads to delegate micro-purchase authority.<sup>3</sup> Unlike all other types of procurements, the delegation does not need to be to a warranted contracting officer, but instead

## The Smartpay Program and Use of Government Purchase Cards

“[a]gency heads are encouraged to delegate micro-purchase authority to The SmartPay Program and Use of Government Purchase Cards individuals who are employees of an executive agency or members of the Armed Forces of the United States who will be using the supplies or services being purchased” (emphasis added).<sup>4</sup>

While the individuals still need to receive training how to appropriately make purchases under the MPT,<sup>5</sup> this frees up the limited number of warranted contracting officers to focus on more complex purchases.<sup>6</sup>

While the FAR directs that the preferred method of payment for micro-purchases shall be the government purchase card (GPC), which will be discussed in greater detail later.<sup>7</sup> More important at this time is that it permits the use of any procedures authorized by FAR Part 13.3, as long as the individual making the purchase is, “authorized and trained, pursuant to agency procedures, to use those methods.”<sup>8</sup> These methods include the use of the GPC, purchase orders, and blanket purchase agreements.

Compared to other types of government purchases,<sup>9</sup> very few clauses are required below the MPT.<sup>10</sup> A micro-purchase does not require assessing competing bids if the price from one supplier is considered reasonable.<sup>11</sup> While an effort must be made to ensure price reasonableness, the FAR realizes that the administrative cost of ascertaining price reasonableness may quickly outpace any savings.<sup>12</sup> Therefore, it directs that purchasers verify price reasonableness only if there is reason to believe the price may not be reasonable, such as a comparison to a previous price paid or personal knowledge, or if the information is readily available.<sup>13</sup> If quotations are solicited and the lowest bidder is not selected, doc-

umentation to support the purchase must be provided.<sup>14</sup>

### THE SMARTPAY PROGRAM AND USE OF GOVERNMENT PURCHASE CARDS

Before examining the effects of potential changes to the MPT, it is important to have a basic understanding of the GPC program. As previously mentioned, the GPC is the preferred method to purchase and to pay for micro-purchases.<sup>15</sup> The GPC Program, also known as the GSA SmartPay<sup>®</sup>3 Program (SmartPay) provides charge cards to agencies/departments throughout the U.S. Government. As established in FAR Part 13,<sup>16</sup> the GPC Program is intended to streamline the small purchase and payment process and minimize paperwork.<sup>17</sup>

Under the SmartPay Program, card-issuing banks provide a commercial purchase and payment service that replaces the paper-based, time-consuming purchase order process; reduces procurement lead time; provides transaction cost savings; reduces procurement office workload; provides refunds; and facilitates payment to include reductions in interest payments.<sup>18</sup>

According to GSA, from fiscal years 2010 to 2022 combined, cardholders spent over \$256.7 billion using purchase cards, with a range of about \$17 billion to \$23 billion annually in goods and services using purchase cards.<sup>19</sup> While the GPC may be used as the method of payment for orders above the MPT, those purchases also require a contract vehicle. By FY 2022, there were over a million authorized GPC users who made over 19 million total purchases using the cards.<sup>20</sup> The average purchase made with the GPC was \$1,198.74.<sup>21</sup> In that year, the SmartPay program overall returned \$426 million in

refunds to agencies,<sup>22</sup> and administrative savings were estimated to be \$1.34 billion for all transactions.<sup>23</sup> Over the life of the program, agencies have received over \$3 billion in refunds from purchase card spending.<sup>24</sup>

Obviously, any proposed increase in the MPT would place a larger number of small procurements under the purview of the GPC program, with attendant cost and time savings.

### PROCUREMENTS ABOVE THE MPT BUT BELOW THE SIMPLIFIED ACQUISITION THRESHOLD (SAT)

If a procurement exceeds the MPT but falls below the current Simplified Acquisition Threshold (SAT), then simplified acquisition procedures apply. While there are a variety of SATs for various specific procurement scenarios, for purposes of this paper we will confine ourselves to the most prevalent definition of the SAT: \$250,000.<sup>25</sup>

As with the MPT, the SAT has simplified procedures as compared to larger acquisitions in order to reduce administrative costs, promote “economic efficiency and economy,” and avoid “unnecessary burdens” for agencies and contractors.<sup>26</sup> Unlike the MPT, the SAT and its procedures are intended to promote socio-economic participation, specifically by improving opportunities for small businesses, including small disadvantaged businesses (SDBs), women-owned small businesses (WOSBs), veteran-owned small businesses (VOSBs), small businesses participating in the Historically Underutilized Business Zone (HUBZone) program, and service-disabled veteran-owned small businesses (SDVOSBs).<sup>27</sup> This is because until the FY 2018 NDAA<sup>28</sup> the Section 15(j) of the Small Business Act had reserved all procurements “greater than \$2,500 but not greater than \$100,000” for small businesses.

## Current Scope of MPT and SAT Purchases

The FY 2018 NDAA replaced the Current Scope of MPT and SAT Purchases dollar values of \$2,500 and \$100,000 with the terms MPT and SAT. As a result:

Each acquisition of supplies or services that has an anticipated dollar value above the micro-purchase threshold, but not over the simplified acquisition threshold, shall be set aside for small business unless the contracting officer determines there is not a reasonable expectation of obtaining offers from two or more responsible small business concerns that are competitive in terms of fair market prices, quality, and delivery. If the contracting officer receives only one acceptable offer from a responsible small business concern in response to a set-aside, the contracting officer should make an award to that firm. If the contracting officer receives no acceptable offers from responsible small business concerns, the set-aside shall be withdrawn and the requirement, if still valid, shall be resolicited on an unrestricted basis. FAR 19.502-2(a).

This policy is reaffirmed in FAR 13.003(b).<sup>29</sup>

Agencies are required to use SAT procedures to the “maximum extent practicable for all purchases of supplies or services not exceeding the simplified acquisition threshold” unless they can meet their requirements using a mandatory source of supply.<sup>30</sup>

SAT procedures still prefer competition to the maximum extent practicable and prohibit agencies from breaking up procurement into multiple smaller purchases just to stay below the SAT. Contracting officers must establish reasonable deadlines for responses, and consider all timely responses.<sup>31</sup> However, under the SAT, those contracting officer must also

use the “appropriate combination of procedures,”<sup>32</sup> while still using “innovative approaches” to the “maximum extent practicable.”<sup>33</sup>

While the use of simplified acquisition procedures removes a notable burden from contractors and agencies, these acquisitions still include a sizeable number of regulatory and compliance requirements.<sup>34</sup> There is a substantial jump in administrative and compliance costs from a purchase of \$9,999 to one that is \$10,001. This limits the number of companies willing to participate, and influences contracting officer behavior. For contracting officers, it incentivizes the use of multiple award contracts where much of the work is done in advance. Streamlined ordering procedures shortens award timeframes, benefitting both government and its vendor community, especially small firms with limited legal and compliance staff.

Indeed, the Office of Federal Procurement Policy (OFPP) explained in 1997 that “Congress recognized that without streamlined order placement, the quality benefits and cost savings made possible by continuous competition might be outweighed by excessive expenditures of time and administrative resources.”<sup>35</sup> One way to illustrate this is to simply look at the number of new contract clauses that apply to purchases above the MPT but below the SAT. To do this, we used the FAR Smart Matrix to identify those provisions and clauses that would apply to purchases in this range that were not task orders against a larger contract.<sup>36</sup> We excluded multiple award and ID/IQ contracts because they have more clauses and provisions attached to the underlying base contract. Even with this exclusion, the Smart Matrix returned fifteen clauses and provisions that must apply to all awards. However, it also identified a further 370 clauses or provisions that are

“mandatory when applicable” and 78 that are at the discretion of the contracting officer. The mandatory when applicable and discretionary clauses highlight the regulatory maze contracting officers must navigate to award a contract for less than \$250,000, and which small businesses need to master and comply with to compete for this work. While this is preferable to the burden associated with contracts above the SAT,<sup>37</sup> it is in stark contrast with the MPT, which only requires that payment provisions clauses and software licensing provisions be read into any purchase.

### CURRENT SCOPE OF MPT AND SAT PURCHASES

The Federal Procurement Data System function of the System for Award Management (SAM) does not require agencies to submit information on transactions below the MPT,<sup>38</sup> but the SmartPay program shows that, in FY 2022, nearly 16.8 million purchases below the MPT were made for just over \$11 billion.

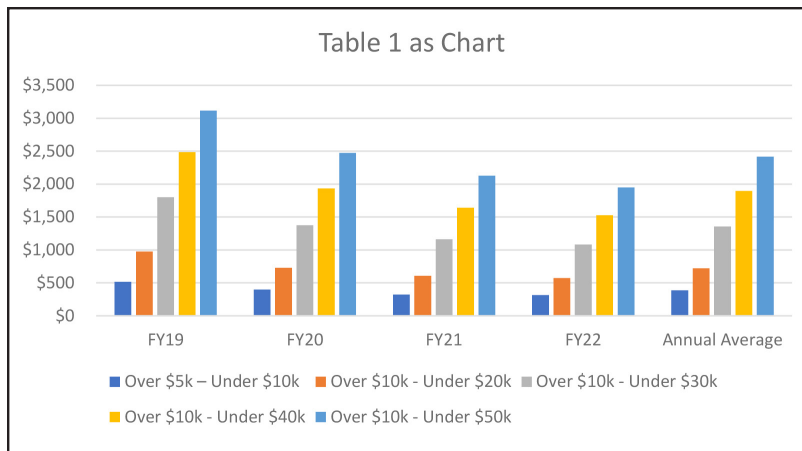
Likewise, the SAM Workload report shows that 880,466 transactions above the MPT but below the SAT were made in FY 2022 for a total value of \$52.7 billion. When this is refined to remove orders against IDIQ contracts, the remaining number shows that 223,298 actions worth \$16.6 billion used true SAT procedures in FY 2022.<sup>39</sup> This means that the average purchase using SAT procedures was just below \$75,000.

To assess the effects of any changes to the MPT at both civilian and defense agencies, we also looked at the dollars likely to be added to the MPT at the Department of Defense (DoD) and General Services Administration (GSA) in a variety of scenarios. Specifically, we examined the potential effect of increases to the MPT at these agencies for the

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Potential Savings

**Table 1.** Additional DoD Spending Covered by Micro-Purchase Rules under a MPT Increase FY19–22 (\$ million)

| MPT                      | FY19      | FY20      | FY21      | FY22      | Annual Average |
|--------------------------|-----------|-----------|-----------|-----------|----------------|
| Over \$5k—Under \$10k    | \$516.9   | \$398.8   | \$322.9   | \$314.6   | \$388.2        |
| Over \$10k - Under \$20k | \$976.9   | \$731.2   | \$609.5   | \$574.2   | \$723.0        |
| Over \$10k - Under \$30k | \$1,801.4 | \$1,376.5 | \$1,162.9 | \$1,082.2 | \$1,355.8      |
| Over \$10k - Under \$40k | \$2,485.8 | \$1,933.2 | \$1,643.6 | \$1,526.2 | \$1,897.2      |
| Over \$10k - Under \$50k | \$3,116.4 | \$2,473.4 | \$2,128.5 | \$1,951.3 | \$2,417.4      |



period of FY19–FY22. This allowed us to analyze the changes for various scenarios, including raising the MPT from \$10,000 to \$20,000; \$10,000 to \$30,000; \$10,000 to \$40,000; and \$10,000 to \$50,000.

**DoD Potential MPT Spend**

Table 1 depicts two key sets of data. The top row shows the actual number of dollars impacted by the last increase in the micro-purchase threshold (from \$5,000 to \$10,000 for the DoD). The next four rows show the total dollars that would have been impacted by raising the micro-purchase limit from \$10,000 to \$20,000, \$30,000, \$40,000, or \$50,000 respectively for FY19–22. The far-right column displays annual averages at each

dollar amount across the entire four-year period to demonstrate macro-level changes.

Thus, when the MPT was increased to \$10,000 in FY 18, it allowed an average of \$388 million in new dollars to be awarded using MPT procedures at DoD. If the MPT were increased to \$50,000, it would have made, on average, an additional \$2.4 billion subject to the MPT. Obviously, smaller increases to the threshold would have resulted in smaller increases to the total subject to MPT procedures. It is worth noting that in each case, the total dollar value that would be affected by the change decreases over time, as the average size of individual procurements increases.

For a civilian agency like GSA, the

dollars are significantly smaller, even though the latest increase in the MPT was greater since for civilian agencies the MPT was \$3,500 until 2018 (see Table 2). Thus, at GSA the result of the last increase resulted in an average of \$31 million in new spend using MPT procedures over the past four years, and an increase to \$50,000 would result in an average of \$35 million in additional spend being governed by the MPT, with more modest gains at the lower dollar increases.

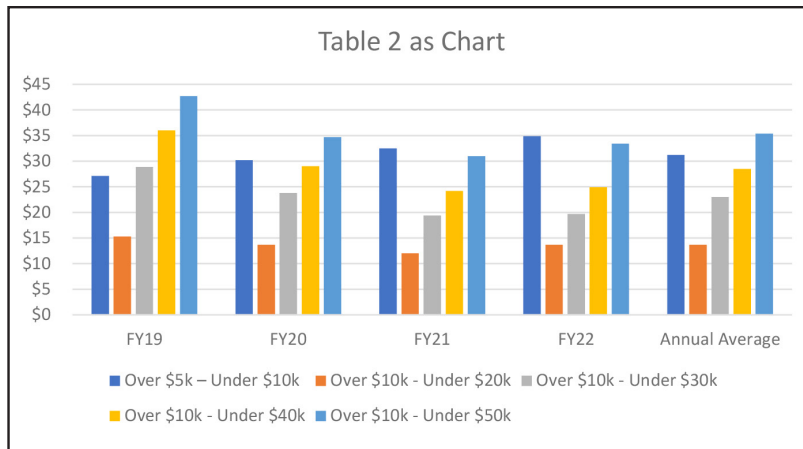
**POTENTIAL SAVINGS**

To ascertain whether an increase in the MPT would be in the best interest of the

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Potential Savings

**Table 2.** Additional GSA Spending Covered by Micro-Purchase Rules under a MPT Increase FY19–22 (\$ million)

| MPT                      | FY19   | FY20   | FY21   | FY22   | Annual Average |
|--------------------------|--------|--------|--------|--------|----------------|
| Over \$5k—Under \$10k    | \$27.1 | \$30.2 | \$32.5 | \$34.9 | \$31.2         |
| Over \$10k - Under \$20k | \$15.3 | \$13.7 | \$12.0 | \$13.7 | \$13.7         |
| Over \$10k - Under \$30k | \$28.9 | \$23.8 | \$19.4 | \$19.7 | \$23.0         |
| Over \$10k - Under \$40k | \$36.0 | \$29.0 | \$24.2 | \$24.9 | \$28.5         |
| Over \$10k - Under \$50k | \$42.7 | \$34.7 | \$31.0 | \$33.4 | \$35.4         |



government and vendors, it is necessary to look at the costs of using SAT procedures versus MPT procedures. This paper estimates these savings by examining:

- GPC transaction costs, and
- Employee pay

**GPC transactions costs**

The first, and most conservative, method for calculating savings is to multiply the number of new MPT transactions by \$70, since GSA estimates that simply paying with GPC will result in \$70 in savings per transaction.<sup>40</sup> For purposes of these calculations, only purchases that were made without relying on any indefinite delivery vehicle (IDV). This exclusion is intended: (1) to account for the pay-

ment methods in place for IDVs; and (2) ensure that multiple awards that would put the total amount over a proposed MPT are not included. While this is probably too conservative—many companies would not need an IDIQ if there were a higher MPT and the government would not incur the cost of maintaining these contracts—it is impossible to account for those savings in an objective manner. Further, these projected savings do not include the rebate the government would receive by using the GPC.

Table 3 shows that, at a minimum, over \$3.1 million could be saved simply by raising the MPT to \$20,000 and using the GPC to make the purchase. Nearly \$8 million could be saved if the MPT were

raised to \$50,000.

**Employee Pay**

Employee pay gives another method of calculating a portion of potential savings. As of January 2023, a contracting officer who is paid at the rate of a GS-14 step 1 with no locality pay adjustment earns \$47.87 per hour.<sup>41</sup> This does not include the value of the insurance provided (health, vision, dental, life), Thrift Savings Plan contributions, or contributions toward a retirement annuity. It also does not account for the office space, utilities, IT costs, and other support functions provided by the agency. In contrast, a GS-9 is paid \$23.49 per hour.<sup>42</sup> Therefore, work under the MPT should save \$24.38

## Potential Savings

**Table 3.** Potential Savings Attributable to GPC Transaction Costs at Increased MPT Thresholds (\$ million)

| MPT Increase             | Number of New MPT Transactions | Estimated Savings at \$70 per Transaction |
|--------------------------|--------------------------------|---|
| Over \$10k - Under \$20k | 45,677                         | \$3.1                                     |
| Over \$10k - Under \$30k | 76,891                         | \$5.3                                     |
| Over \$10k - Under \$40k | 97,588                         | \$6.8                                     |
| Over \$10k - Under \$50k | 113,225                        | \$7.9                                     |

**Table 4.** Potential Savings Attributable to Employee Pay at Increased MPT Thresholds (\$ million)

| MPT Increase           | Number of New MPT Transactions | Prior Cost of Labor under SAT | New Cost of Labor under MPT | Potential Savings |
|------------------------|--------------------------------|-------------------------------|-----------------------------|-------------------|
| Over \$10k—Under \$20k | 45,677                         | \$32.7                        | \$5.5                       | \$27.2            |
| Over \$10k—Under \$30k | 76,891                         | \$55.2                        | \$9.3                       | \$45.8            |
| Over \$10k—Under \$40k | 97,588                         | \$70.0                        | \$11.8                      | \$58.1            |
| Over \$10k—Under \$50k | 113,225                        | \$81.3                        | \$13.8                      | \$67.4            |

per hour. Additionally, given that in 2016 it standalone contracts took 405 to 495 hours to award, whereas task orders took between 119 and 168 hours, we will infer that substantial time savings will occur when making purchases under the MPT versus work awarded under the SAT.<sup>43</sup>

Given that a standalone award under the SAT would be one of the fastest types of contracts to award, we will conservatively estimate that it could be done in 15 hours—about ten percent of the time a standard task order takes.<sup>44</sup> Likewise, we will assume that it will take 5 hours under the MPT procedures. With these assumptions, the following savings would be achieved at each threshold.

As reflected in Table 4, this second

scenario reflects more robust savings than the first. Moreover, it probably underestimates the cost savings because it chose extremely modest amounts of time for each procurement, and it does not reflect any locality pay adjustments. Many contracts are awarded by contracting officers in areas with significant locality pay adjustments. For example, if the work were performed in the Washington DC metropolitan area, the range of savings would increase to over \$36.3 million at the \$20,000 MPT to over \$90 million at the \$50,000 threshold.<sup>45</sup>

#### Total Savings

Table 5 illustrates the combined savings, between 2.5 to 4.6 percent of the value of

the total purchases.

These estimates likely do not capture all the potential for savings. For example, the reduction in administrative costs may encourage additional vendors to sell supplies and services to the federal government, thus increasing competition and reducing prices.

The GSA Commercial Platforms Program (CPP) is already demonstrating that it is capable of delivering administrative and cost savings below the MPT. This program launched pursuant to Section 846 of the FY 2018 National Defense Authorization Act,<sup>46</sup> and is still early in terms of adoption. Section 846 authorized GSA to establish commercial platforms to facilitate procurements under

## Potential Effects on Small Companies

**Table 5.** Combined Potential Savings from GPC Transaction Costs and Employee Pay (\$ million)

| MPT Increase           | Number of New MPT Transactions | Savings—GPC Transaction Costs | Savings—Employee Pay | Combined Potential Savings |
|------------------------|--------------------------------|-------------------------------|----------------------|----------------------------|
| Over \$10k—Under \$20k | 45,677                         | \$3.1                         | \$27.2               | \$30.4                     |
| Over \$10k—Under \$30k | 76,891                         | \$5.3                         | \$45.8               | \$51.2                     |
| Over \$10k—Under \$40k | 97,588                         | \$6.8                         | \$58.1               | \$65.0                     |
| Over \$10k—Under \$50k | 113,225                        | \$7.9                         | \$67.4               | \$75.4                     |

**Table 6.** Small Business Share of Dollars Affected by Increases to the MPT (\$ million)

| MPT Increase             | Total Dollars | Awards to Small Business | Awards Not to Small Business | Awards to Small Business (Percent) |
|--------------------------|---------------|--------------------------|------------------------------|------------------------------------|
| Over \$10k - Under \$20k | \$662.4       | \$316.2                  | \$346.2                      | 47.7%                              |
| Over \$10k - Under \$30k | \$1,431.9     | \$670.5                  | \$761.3                      | 46.8%                              |
| Over \$10k - Under \$40k | \$2,150.7     | \$1,013.0                | \$1,137.6                    | 47.1%                              |
| Over \$10k - Under \$50k | \$2,852.8     | \$1,366.2                | \$1,486.5                    | 47.9%                              |

SAT. Currently, GSA has contracts with Amazon,<sup>47</sup> Fisher-Scientific,<sup>48</sup> and Overstock Government<sup>49</sup> to run compliant commercial platforms. In March 2024, GSA announced awards to six additional platform providers, including four small businesses.<sup>50</sup> While only \$40.3 million went through the platforms in FY 2022,<sup>51</sup> over 80 percent of users have seen time savings using the platforms,<sup>52</sup> and reported that the platforms made it easier to comply with Ability One sourcing and other regulatory provisions.<sup>53</sup> Further, users reported actual cost savings, since they could easily compare prices, as encouraged by FAR 13.203(a)(3), obtain free shipping, and opt out of sales taxes.<sup>54</sup>

These reflect additional potential for substantive cost savings.

Understanding that there is no perfect methodology for measuring savings, the true answer is probably a number greater than our estimates. Thus, with a governmentwide increase of the MPT from \$10,000 to \$20,000, the government would conservatively expect to save over \$30 million dollars. An increase of the MPT to \$50,000 would deliver at least \$75 million in savings. In any case, the government and industry would benefit from real cost savings at higher MPT thresholds. The question then remains, what would this do to small businesses?

#### POTENTIAL EFFECTS ON SMALL COMPANIES

As previously explained, all purchases between \$10,000 and \$250,000 that are not orders placed against IDVs are reserved, by law, for small business concerns. In reality, as illustrated in Table 6, only between 46.8 and 47.9 percent of all dollars awarded on contracts between \$10,000 and \$50,000 are awarded to small businesses.

This result remains almost identical when comparing the number of transactions awarded to small businesses, with a range of 46.77 to 47.41 percent. (See Table 7.)



## Potential Effects on Small Companies

**Table 7.** Small Business Share of Transactions Affected by Increases to the MPT

| MPT Increase             | Total Transactions | Awards to Small Business | Awards Not to Small Business | Award to Small Business (Percent) |
|--------------------------|--------------------|--------------------------|------------------------------|-----------------------------------|
| Over \$10k - Under \$20k | 45,677             | 21,566                   | 24,111                       | 47.2%                             |
| Over \$10k - Under \$30k | 76,891             | 35,960                   | 40,931                       | 46.8%                             |
| Over \$10k - Under \$40k | 97,588             | 45,817                   | 51,771                       | 46.9%                             |
| Over \$10k - Under \$50k | 113,225            | 53,682                   | 59,543                       | 47.4%                             |

**Table 8.** Small Business Set-Asides Affected at Various Increases to the MPT. (\$ million)

| MPT Increase             | Dollars Set Aside to Small Business | Actions Set Aside for Small Business | Dollars Set Aside for Small Business (Percent) | Transactions Set Aside for Small Business (Percent) |
|--------------------------|-------------------------------------|--------------------------------------|--|---|
| Over \$10k - Under \$20k | \$225.2                             | 15,279                               | 34.0%  | 33.5%   |
| Over \$10k - Under \$30k | \$494.0                             | 26,166                               | 34.5%  | 34.0%   |
| Over \$10k - Under \$40k | \$757.9                             | 33,758                               | 35.2%  | 34.7%   |
| Over \$10k - Under \$50k | \$1,031.8                           | 39,854                               | 36.2%  | 35.2%   |

Further, many of these awards are not the result of a deliberate decision to award to small businesses. When examining the same data to see whether a small business set-aside is used, as illustrated in Table 8, the percentage of dollars drops to between 34 and 36 percent. The percentage of transactions falls even further to between 33 and 35 percent.

Even more striking are the numbers provided by the SmartPay program. The SmartPay program takes credit both for dollars spent with small businesses registered in SAM and for businesses identified as small by the charge card providers using commercial data. As shown in Table 9, in FY 2022 the SmartPay program reported that about 33.4 percent of dollars spent on the GPC went to small

businesses, as did almost 31 percent of all transactions. Interestingly, a greater percentage of dollars went to small businesses when the transaction amount was below the MPT, even though these transactions are not reserved for small businesses.

This data appears to suggest that a choice must be made between the administrative and cost savings available under the MPT and the inclusion of small businesses in the procurement process. However, one final set of data provides an opportunity to marry the two objectives. Under the GSA Commercial Platforms Program (CPP), only between 18 and 21 percent of awards are being made to businesses registered as small businesses in SAM.<sup>55</sup> Yet even GAO recognizes

that there is a disconnect between firms receiving awards through the platform and firms that are registered in SAM. One of the two recommendations from GAO's recent review of the Commercial Platforms Program was that GSA work with the SBA to enable "a more efficient process to enable participating agencies to include small business spend on the commercial platforms toward their small business goals."<sup>56</sup> Therefore, the current data is underrepresenting small business participation on the platform.

In researching this paper, we sent requests to each of the CPP providers for data around their small business participation. While only Amazon responded, we were able to collect data from Fisher and Overstock's websites. Currently, only

## Potential Effects on Small Companies

**Table 9.** GPC Spend with Small Business in FY 2022. (\$ million)

|                      | <u>GPC Spend</u> | <u>GPC Spend to<br/>Small Business (%)</u> | <u>GPC<br/>Transactions</u> | <u>GPC Transactions to<br/>Small Business (%)</u> |
|----------------------|------------------|--|-----------------------------|---|
| Total                | \$13,072.0       | 33.4%                                      | 16,860,604                  | 30.9%   |
| Below MPT            | \$11,015.6       | 34.6%                                      | 16,782,011                  | 30.9%   |
| Above MPT, Below SAT | \$2,056.3        | 26.8%                                      | 78,593                      | 31.2%   |

Source: <https://smartpay.gsa.gov/content/gsa-smartpay-socioeconomic-statistics-reports/>.

Fisher requires that companies register with SAM to join its supplier diversity program,<sup>57</sup> but only between 3 and 5 percent of program purchases use the Fisher platform.<sup>58</sup> Overstock, which has only 1 to 2 percent of sales, simply states that it, “offers thousands of products, including products from required federal buying sources like small businesses, women owned businesses, as well as AbilityOne and environmentally preferred products.”<sup>59</sup>

Amazon referred us to research conducted by Oxford Economics analyzing the effect of the CPP on procurements from small and disadvantaged firms.<sup>60</sup> Notably, Oxford Economic projected that federal agencies will spend about \$2 billion in FY 2024 using online marketplaces, but only about \$80 million is projected to be awarded via the CPP.<sup>61</sup> However, they found that the use of the CPP “led to a 5 percentage points increase in the value of contracts won by” small and disadvantaged businesses when compared with non-CPP online marketplace purchases.<sup>62</sup> Based on this data, they projected that under the current state of affairs, about \$315 to \$415 million in purchases will be made with small and disadvantaged firms using online marketplaces this year, but under the current regime the federal government will only be able

to capture a tiny percentage of this spend towards its small business goals.<sup>63</sup>

Based on the Oxford Economics report and analysis of reported micro-purchases, it appears that when: (1) it is easy to find a small business in an online marketplace; and (2) the purchasing agency will receive credit towards its small business goals, then agencies are more likely to choose small vendors than if identification is uncertain or goaling credit is absent. Both of these challenges are exacerbated by the fact that most vendors on the CPP are not registered in SAM. Conversely, an advantage of the CPP is that it brings new, nontraditional vendors into the industrial base. According to the GAO review of the CPP, there were nearly 30,000 third party suppliers participating in the program in FY 2022—almost double the number available the year before.<sup>64</sup> SBA reports that in 2022 there were 62,670 small businesses registered in SAM, down from 121,181 in 2009.<sup>65</sup> Given that only a fraction of the 30,000 third party suppliers are currently registered in SAM, use of the CPP could represent the first growth in the number of small businesses in the federal marketplace in at least thirteen years—but only if the socio-economic status of the vendor can be reliably captured.

Further, the absence of SAM registration by CPP vendors suggests that the small business numbers reported by GAO and GSA may substantially undercount the number that are small, small disadvantaged, or other types of small businesses receiving awards. Absent SAM registration, these firms are treated as other than small, even though they may be truly small businesses. It also means that agencies are not receiving credit for these purchases. Thus, the CPP may be better for small firms than is currently reported, but absent a way to reliably capture the status of vendors it is hard to assess the true state of small business participation.

The Commercial Platforms Program also has additional advantages over standard micro-purchases—it allows for easy compliance with Section 889, country of origin restrictions, Ability One requirements, the option to restrict awards to small businesses, methods for ensuring that micro-purchases are spread across eligible entities, a simply way to avoid sales taxes, and quick comparisons of prices for similar or identical items. The Amazon platform allows for fast quote tools so that buyers can solicit discounts when buying quantities. The tools offered by the platforms can keep non-compliant products from even being an option for buyers.

## Conclusions and Recommendations

Finally, an increase to the MPT has never occurred in a vacuum. Each time the MPT has increased, the SAT has increased by a greater amount. For example, when the MPT was increased from \$3,500 for civilian agencies and \$5,000 for defense agencies to \$10,000 in 2018, the SAT was increased from \$150,000 to \$250,000. While this removed purchases below \$10,000 from small business reserve, it added all purchases between \$150,000 and \$250,000 to the reserve. There has never been an increase to the AT of less than \$50,000, so if prospective any increases in the MPT were offset in a similar manner it is reasonable to believe that the SAT would increase to at least \$300,000. Based on FY 2022 spending, this would mean that an additional \$897.9 million would be subject to the reserve. This increase would offset the lost spend from an increase in the MPT to \$20,000. If small businesses continue to received 47 percent of dollars under the small business reserve, this would mean an increase in over \$30 million in dollars awarded to small businesses. A larger increase to the MPT could in turn be offset by a larger increase to the SAT.

### CONCLUSIONS AND RECOMMENDATIONS

The data clearly shows that increasing the MPT threshold by any amount would deliver substantial cost and time savings to the government. A \$50,000 MPT could save the government in excess of \$75 million per year. However, any increase needs to be undertaken carefully to offset the risk to small businesses. Available data indicates that small firms fare better under simplified acquisition rules than they do under micro-purchase procedures. While this data has flaws, better data on the recipients of micro-purchases,

especially CPP purchases, could increase the capture of dollars going to small firms. However, in either case, small firms are not getting anywhere close to the amounts designated for them by Congress under the small business reserve.

The GSA Commercial Platforms Program has the greatest opportunity to deliver the saving associated with the MPT while increasing opportunities for small businesses. If Congress wishes to explore increasing the MPT in a way that protects small businesses, it could best do so in three ways.

First, it should offset any incursion into the small business reserve by increasing the SAT. This protects dollars intended for small business, while also benefiting from the increase efficiencies of the SAT. If nothing is done to change the percentage of awards going to small businesses, an increase in the MPT to \$20,000 and the SAT to \$300,000 would result in \$30 million in new awards to small businesses. Coupled with the Administration's recent application of the rule of two to task order contracts, small businesses would immediately be better off.

Second, policymakers should make it easier for agencies to track micro-purchases to small businesses. In particular, they should implement a streamlined process for businesses wishing to qualify as small only for micro-purchases. This scaled back version of traditional SAM registration would be available only to CPP participants, would be voluntary, and would only require socio-economic certifications rather than all the representations and certifications required of other companies, so it could be completed in just a few minutes. Unlike other SAM registration, it wouldn't be linked to payment processes, so the change wouldn't need to tie into financial management systems. This change would give

more accurate data, and better insights into this growing but hidden segment of the industrial base.

Finally, Congress should attract new small businesses while maximizing savings. It could accomplish this by tying any increase to the MPT to the CPP. Specifically, it could implement a demonstration program to increase the MPT threshold for purchases made using the Commercial Platforms Program but condition any extension of the increase on GSA's ability to increase percentage of dollars awarded to small businesses registered in SAM.

For example, agencies could use the CPP for awards up to \$20,000. However, this new authority could be conditioned upon the program hitting certain milestones, such as within five years half of all dollars awarded using the Commercial Platforms Program must be awarded to small businesses registered in SAM. This would give the platform providers time to encourage their vendors to register, and GSA the time to train users of the platforms on how to maximize small business sales. It would also encourage agencies to prioritize small businesses on the platforms. As use of the program is expected to grow, this would create new opportunities for new small companies.

There are multiple advantages of tying any increase in the MPT to usage of the Commercial Platform program. It creates an easily auditable trail to ensure small business utilization. It also protects the government against the risk of purchasing non-compliant products, since workflows can easily be designed to protect against the purchase of prohibited products, misuse of the GPC, violations of Section 889 or country of origin restrictions, and other policies important to the health of the federal supply chain.

Finally, the Commercial Platforms Program will deliver the payment savings and rebates associated with the GPC pro-

gram while also reducing the amount of sales tax paid, allowing for prices to be easily compared prior to making orders, and maximizing volume discounts. Therefore, this approach would increase the number of small businesses in the federal marketplace, ensure compliance with important federal mandates, and maximize real and administrative savings.

## ENDNOTES

Federal Acquisition Regulations (FAR) can be found on the Acquisition.Gov website. <https://www.acquisition.gov/browse/index/far>.

1. The history of the micro-purchase limit dates back to the Federal Acquisition Streamlining Act of 1994 which aimed to increase government efficiency through the introduction of simplified acquisition procedures, including the micro-purchase limit.

2. The following is a list of current MPTs for various types of procurements as issued by DoD:

- Federal-Wide Open Market: \$10,000
- Construction subject to Davis-Bacon Wage Rate Requirements: \$2,000
- Services subject to 41 USC Chapter 67, Service Contract Labor Standards: \$2,500
- Government Purchase Card (GPC)–Emergency-Type Operations (ETO) Inside U.S.: \$20,000
- GPC ETO Outside U.S.: \$35,000
- Federal-Wide Higher Education Open Market: \$10,000 or greater
- GPC Convenience Checks (General–Unrelated to ETO and Other Emergency Uses): \$5,000
- GPC Convenience Checks for ETO and Other Emergency Uses (Inside U.S.): \$10,000

- GPC Convenience Checks for ETO and Other Emergency Uses (Outside U.S.): \$17,500

3. FAR 13.201(a).

4. FAR 1.603-3(b).

5. See, for example, Defense Pricing & Contracting, Assistant Secretary of Defense (Acquisition), Purchase Cards Training, <https://www.acq.osd.mil/asda/dpc/ce/pc/training.html>.

6. For more on the challenges facing the acquisition workforce, see Jason Miller, “Raw numbers don’t tell enough of the story about what the acquisition workforce needs for future success,” Federal News Network (August 21, 2023). <https://federalnews-network.com/federal-report/2023/08/raw-numbers-dont-tell-enough-of-the-story-about-what-the-acquisition-workforce-needs-for-future-success/>.

7. FAR 13.201(b). Federal Acquisition Regulations (FAR) can be found on the Acquisition.Gov website. <https://www.acquisition.gov/browse/index/far>.

8. FAR 13.201(c).

9. Some mandatory sources of supply—such as Federal Prison Industries (FPI) or items on the Procurement List established by the Committee for Purchase From People Who Are Blind or Severely Disabled (Ability One)—still apply to micro-purchases, (FAR 13.201(e)). Requirements pertaining to Sustainable Acquisition Policy, (FAR 23.1); Energy and Water Efficiency and Renewable Energy, (FAR 23.2); the Use of Recovered Materials and Biobased Products, (FAR 23.4); and requirements around Contracting for Environmentally Preferable Products and Services (FAR 23.7) apply, albeit in a more limited fashion. (FAR 13.201(f))

Prohibited sources are still barred even below the MPT. This includes hardware, software, or services provided by Kaspersky Labs, (FAR 13.201(i)); entities using equipment, systems, or services

barred by Section 889 of the FY 2019 National Defense Authorization Act, (FAR 13.201(j)); or entities using a covered application such as TikTok (FAR 13.201(k)).

10. FAR 13.201(d). Supplier license agreements, including End User License Agreements, Terms of Service, and similar terms inserted by vendors that would trigger a violation of the Anti-Deficiency Act (11 U.S.C. § 1341) are deemed unenforceable and FAR 52.232-39, Unenforceability of Unauthorized Obligations, is automatically applied to these purchases. FAR 13.201; FAR 13.202.

11. FAR 13.203(a)(2). Purchasers must still comply with prohibited and mandatory sources, and must make reasonable efforts to “distribute[] purchases equitably among qualified suppliers.” FAR 13.203(a)(3).

12. FAR 13.203(a)(3).

13. Ibid.

14. FAR 13.203(b).

15. Ibid.

16. FAR 13.301 provides that the GPC may be used for authorized purchases of supplies, services, or construction. GPC purchases are not limited to micro-purchases but may be used by contracting officers for greater dollar amounts to place orders and to pay for purchases against FAR part 8 contracts and to place orders and/or make payment under other contractual instruments (FAR 13.301(b)). In addition to micro-purchases, it may be used to place task or delivery orders and make payments on contracts (FAR 13,301(c)).

17. The following exceptions apply:

- \$2,000 for construction under the Construction Wage Rate Requirements statute (formerly Davis-Bacon Act);
- \$2,500 for services subject to the Service Contract Labor Standards statute (formerly Service Contract

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- Act); and
- \$20,000 for supplies or services inside the US (\$35,000 outside the US) to be used to support a contingency operation or to facilitate defense against or recovery from cyber, nuclear, biological, chemical or radiological attack (except for construction subject to the Construction Wage Rate Requirements statute).
18. The GPC program is established using task orders negotiated with national banks. Currently there are over 350 participating agencies in the program, including DoD. This program spends approximately \$30 billion annually using 100 million transactions and 3 million cards.
19. It is important to distinguish between sales using the GPC and using the Fleet and/or Travel cards also administered by the SmartPay program. For purposes of this paper, only GPC purchases are reported. See <https://smartpay.gsa.gov/files/stats-tool.xlsx>.
20. Ibid.
21. Ibid.
22. Ibid. GSA estimates \$70 in administrative savings per transaction.
23. See <https://smartpay.gsa.gov/about/benefits/#cost-savings-realized>.
24. Ibid. Since program inception in 1988.
25. For purchases in support of a contingency operation, used to defend against or recover from a “cyber, nuclear, biological, chemical, or radiological attack,” provide international disaster assistance, or respond to a major disaster, the threshold is \$800,000 domestically and \$1.5 million overseas (FAR 2.101). For purchases made in support of a humanitarian or peacekeeping function, the SAT is \$500,000. For certain commercial products and services may be acquired using the simplified acquisition procedures if the total price for the contract does not exceed \$7.5 million (or \$15 million in the case of a contingency).
26. FAR 13.001.
27. Ibid.
28. Pub. L 115-91, §1702(a) (2017).
29. Traditionally, this restriction has not applied to task orders. However, on January 25, 2024, the Office of Management and Budget issued a memorandum applying this policy to multiple award contracts other than the GSA Multiple Award Schedules, <https://www.whitehouse.gov/wp-content/uploads/2024/01/REV-Increasing-Opportunities-to-Small-Businesses-under-MACs-CATS-Final-Copy-1-25-24.pdf>. FAR 13.003(a). For example, FPI, Ability One, or established contracts including multiple award, indefinite delivery / indefinite quantity (IDIQ) contracts.
30. FAR 13.003(h).
31. FAR 13.003(g)(1). FAR Parts 13 (Simplified Acquisition Procedures), 14 (Sealed Bidding), 15 (Contracting by Negotiation), 35 (Research and Development Contracting), or 36 (Construction and Architect-Engineer Contracts)
32. FAR 13.003(h)(4).
33. On a more basic level, purchases above the MPT but below the SAT have more complicated bidding and ordering procedures. Requests for quotations must either be published on the System for Award Management (SAM), through another portal (such as e-Buy), or across a local trade area. FAR 13.104-105. Standing quotations and price lists can be used but must be verified. The government cannot simply accept a quote provided by a vendor, instead the vendor must tender an offer that is then accepted by the contractor to form a contract (FAR 13.994, FAR 13.103). Solicitations cannot be issued based on personal knowledge, preference, brand, or but should reach as broad an audience as possible (FAR 13.104). Best value determinations are allowed, but must be well documented, and evaluation criteria must be specified (FAR 13.106). Past performance is evaluated (FAR 13.106). Vendors must be registered in SAM (FAR 13.102). Stand-alone contracts may be protested, although there are limits on protesting task orders.
34. Ibid.
35. The Smart Matrix can be found at <https://www.acquisition.gov/smart-matrix>.
36. The Smart Matrix indicates that there are nineteen mandatory clauses, 542 provisions and clauses that are mandatory when applicable, and 37 additional optional clauses.
37. FAR 4.603(b). The SAM Workload report shows that in FY22, there were nearly 84 million transactions below the MPT, worth about \$29.6 billion. However, the vast majority of these were orders placed against IDIQ contracts.
38. See [https://files.usaspending.gov/generated\\_downloads/PrimeAward-SummariesAndSubawards\\_2023-11-27\\_H02M30S12293049.zip](https://files.usaspending.gov/generated_downloads/PrimeAward-SummariesAndSubawards_2023-11-27_H02M30S12293049.zip).
39. <https://smartpay.gsa.gov/about/benefits/>.
40. [https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/23Tables/html/GS\\_h.aspx](https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/23Tables/html/GS_h.aspx).
41. Ibid.
42. Report of the Advisory Panel on Streamlining and Codifying Acquisition Regulations, Vol. 3, Jan. 2019, [https://discover.dtic.mil/wp-content/uploads/809-Panel-2019/Volume3/Sec809Panel\\_Vol3-Report\\_Jan2019\\_part-1\\_0509.pdf](https://discover.dtic.mil/wp-content/uploads/809-Panel-2019/Volume3/Sec809Panel_Vol3-Report_Jan2019_part-1_0509.pdf), citing data from ASI Government Advisory, Streamlining Task and Delivery Order Solicitations under MA/IDIQ Contracts, May 2016, accessed October 23, 2018, <https://interact.gsa.gov/sites/default/files/ASI%20>

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Advisory%20on%20Streamlining%20Final%206.9.2016.pdf.

43. With the need to publish the requirement, evaluate offers, and identify the necessary FAR clauses, this is likely overly optimistic.

44. Locality Pay Area of Washington-Baltimore-Arlington, DC-MD-VA-WV-PA, [https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/23Tables/html/DCB\\_h.aspx](https://www.opm.gov/policy-data-oversight/pay-leave/salaries-wages/salary-tables/23Tables/html/DCB_h.aspx).

45. Pub. L. No. 115-91, § 846(f)(2).

46. <https://business.amazon.com/en/work-with-us/government>.

47. <https://www.fishersci.com/>.

48. <https://www.overstockgovernment.com/>.

49. Jason Miller, “GSA’s Commercial Platforms Program to Grow By Five Pro-

viders” Federal News Network (March 27, 2024) <https://federalnewsnetwork.com/contractsawards/2024/03/gsas-commercial-platforms-program-to-grow-by-five-providers/>.

50. [https://www.gsa.gov/system/files/CP\\_Infographic\\_FY2022\\_Accessible.pdf](https://www.gsa.gov/system/files/CP_Infographic_FY2022_Accessible.pdf).

51. GAO-23-106128 GSA Commercial Platforms, at 12.

52. *Ibid.*, 17.

53. *Ibid.*, 18.

54. <https://www.gao.gov/assets/gao-23-106128.pdf>, 10.

55. <https://www.gao.gov/assets/gao-23-106128.pdf>, 22.

56. <https://www.fishersci.com/us/en/programs/supplier-diversity-program/become-supplier-diversity-partner.html>.

57. [https://www.gao.gov/assets/gao-](https://www.gao.gov/assets/gao-23-106128.pdf)

[23-106128.pdf](https://www.gao.gov/assets/gao-23-106128.pdf), 10.

58. <https://www.overstockgovernment.com/>.

59. Oxford Economics, Unlocking Opportunities for Small and Disadvantaged Businesses (March 2024) <https://www.oxfordeconomics.com/resource/unlocking-opportunities-for-small-and-disadvantaged-businesses/>.

60. *Ibid.* 8–9. GSA recently reported that \$80 million was awarded via the CPP in FY 2023, so it is likely that the FY 2024 number could be higher. <https://www.gsa.gov/system/files/FY2023%20Commercial%20Platforms%20Program%20highlights%2020252024.pdf>.

61. Oxford Economics 4, see also 12.

62. *Ibid.* 4.

63. GAO-23-106128, GSA Commercial Platforms, 14.

64. Small Business Administration Data Hub, <https://datahub.certify.sba.gov/>.

65. See, e.g., <https://business.amazon.com/en/work-with-us/government>; <https://www.overstockgovernment.com/>.

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