Impact Of Purchase Card Activity On Small Businesses

by

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I. Executive Summary

Despite their attractiveness as a way to streamline small purchases by federal agency employees, federal credit cards make it harder for small businesses to compete in the federal marketplace in certain agencies.

Purchase card usage by federal agencies now totals $14 billion annually. Data made available for this study show that the small business share of these purchases is lower than both the small business share of federal prime contracts (SF 279 and DD 350 data) and the small business share of small purchases (SF 281 data). Furthermore, the data show that existing rules for setting aside government purchases between $2,500 and $100,000 to small businesses are being regularly violated. Data analyzed for this study excludes travel card expenditures.

National Aeronautics and Space Administration Purchase Card spending data for FY 1999 – FY 2001 show the small business share of overall NASA credit card purchases is a mere 15%, eight percentage points below the established government-wide small business contracting goal. Additionally, NASA employees spent a total of $24.7 million between FY 1999 and FY 2001 on individual purchases valued between $2,500 and $100,000, but just $3.9 million of that, or 16.2%, went to small firms. According to current procurement practice, all of these dollars should have been spent with small firms. This finding is surprising given NASA's willingness to cooperate with this study -- a sign that they genuinely are concerned with small business interests. NASA should be acknowledged as the only agency that was able and willing to provide information to evaluate credit card usage by firm size.

Although the General Services Administration's 1998 master SmartPay contract calls for the collection of socioeconomic data with each credit card purchase, this requirement has not been enforced. As a result, most agency officials are unaware of purchase card spending patterns within their own agencies. Conclusive evidence about the impact of purchase card transactions on small business will only become available when the GSA strictly enforces the data collection procedures already established in the SmartPay contract.

II. Overview of the Charge Card Programs

History

Budget cutbacks and agency downsizing have meant that agencies must simply do more with less. Purchase offices have been particularly hard-hit by cutbacks and streamlining. Furthermore, since the passage of the 1994 Federal Acquisition Streamlining Act (FASA) and other procurement reform measures, the federal marketplace has become more task-oriented in nature. In the last several years we have witnessed a dramatic rise in orders on IDIQ, GWAC and GSA Schedule contracts for fulfilling both the services and manufacturing needs of federal agencies.

To speed the administration of smaller purchases on these and other kinds of contracts, agencies have issued thousands of credit cards to their contract and program officers, enabling them to acquire needed goods and services without the traditional paperwork. Credit cards tend to shift the responsibility for simple purchases from the purchase offices to the program offices, reducing agencies' mission support, labor and payment processing costs.

Agencies have actively encouraged their employees to use these cards ever since several agencies piloted use of the card in 1986. Card use received a strong boost in 1994 following the passage of FASA, issuance of Executive Order 12931 and by an Office of Management and Budget (OMB) memorandum to agency senior procurement executives encouraging their agencies' use of cards to make purchases.

In December, 1994, an interim FAR rule was issued making the card the preferred method of making micropurchases. More recently, the Federal Acquisition Regulations were amended to add wording in Part 13.103(e) stating, "The Governmentwide commercial purchase card is the preferred means to purchase and pay for micropurchases. This is not intended to limit use of the purchase card to micropurchases . . ." (the rule was finalized in 1996).

Current Environment

Currently in Fiscal Year 2002, there are three active charge card programs in the federal government: Purchase Cards, Travel Cards, and Fleet cards. The Purchase Card is used for buying various commodities like office supplies, computers and peripherals, subscriptions and small bundles of services. The Fleet Card is used to purchase fuel and minor maintenance of vehicles. The Travel Card must be used for all official travel expenses. Collectively, these three cards are referred to as the SmartPay program, which replaced the IMPAC Card program that expired in 1998.

The SmartPay program is administered by the General Services Administration's (GSA's) Services Acquisition Center (SAC), part of the Federal Supply Service (FSS). In September, 1997, the SAC issued Request for Proposal (RFP) # FCXC-S9-970001-N calling for extensive technological upgrades to the then-existing credit card program. At a 1997 GSA Agency Meeting, contract officer Rebecca Koses cited much-anticipated improvements to account

administration, electronic purchase procedures, automated invoicing, reporting and online access to credit card purchase data as reasons for transitioning to the new system quickly.

Particularly with regard to data reports, Koses stated encouragingly:

"The new [SmartPay] contracts will give you at your fingertips electronic access systems, so that you can look at program and transaction data, as well as get you a richer transaction detail when available, such as 1099 information, or 1057 information, or even line item detail.

They will give you a wide variety of value-added products and services to maximize your choice of process improvement tools. The new contracts will ensure continuous competition to give you better pricing. And most importantly, they will give you the mechanism and the tools to get what you want when you want them."[1]

The Standard Form 1057 specifically cited by Koses contains merchant demographic information measuring the extent of small, small disadvantaged and woman-owned business participation in small government purchases.

In January, 1998 the GSA awarded master SmartPay contracts to five banks, shown in Table 1, below, along with the type of card they are authorized to administer.

Table 1: Master SmartPay Contractors

Contract No.	Master Contractor	Business Lines
GS-23F-98002	US Bank	Fleet, Travel, Purchase, Integrated FTP
GS-23F-98003	Bank One [formerly First Chicago NBD]	Fleet, Travel, Purchase, Integrated FTP
GS-23F-98004	Bank of America (USA) [formerly NationsBank]	Fleet, Travel, Purchase, Integrated FTP
GS-23F-98005	Mellon Bank	Purchase
GS-23F-98006	Citibank	Fleet, Travel, Purchase, Integrated FTP

Clause C.34.6 of the master contract spelled out the requirements for collecting data on individual credit card transactions:

> C.34.6 *Transaction Data:* The Contractor shall make electronically available all recorded and obtained transaction data to the agency/organization and the GSA Contracting Office (but see footnote 6). If requested by the agency/organization, the Contractor must provide copies of the transaction data on a single hard copy report or as part of a single flat file/EDI database transmission.

Under Section C.34.6.1, Merchant Data, Part k specifically cites the 1057 minority and woman-owned business codes as required information for each purchase. However, other language in the contract appears to categorize merchant socioeconomic data as some of the optional, more detailed information submitted to banks by the merchant:

> "Level 2 and Level 3 data elements that are asterisked (*) indicate submission of such data where the data is passed by the merchant and obtained by the Contractor, unless otherwise specified in the specific data elements required for each business line."[2]

[1] http://www.gsa.gov/Portal/content/offerings_content.jsp?contentOID=119542&contentType=1004

[2] SmartPay Contract part C.34.6.1, Footnote 3, page 164.

III. Overview of Charge Card Spending

Summary of Charge Card Expenditures

With the initiation of the SmartPay Program on November 30, 1998, all three cards were under the same master contract for the first time. Previously, fleet cards had been covered by a separate contract. Travel and purchase cards had been covered by the same contract, but with different banks: immediately before the SmartPay Program American Express had handled the travel card and U.S. Bank had handled the purchase card. Some agencies have integrated the three cards into one; others have not. However, data continue to be reported for each program separately, and are given in Table 2:

Table 2. Government Charge Cards, FY 2001

	Dollars	Transactions	Cards
Purchase	13,787,668,676	24,443,850	406,290
Travel	5,383,383,553	39,150,807	2,209,070
Fleet	498,103,463	18,048,689	547,680
Total	**19,669,155,692**	**81,643,346**	**3,163,040**

	Dollars/Transaction	Dollars Per Card	Transactions / Card
Purchase	564.05	33,935.54	60.16
Travel	137.50	2,436.95	17.72
Fleet	27.60	909.48	32.95
Total	**240.92**	**6,218.43**	**25.81**

The data on the number of cards should not be looked at too closely, because "integrated cards" have to be arbitrarily included in one of the programs. For example, the integrated cards at the Department of the Interior are included in the travel data. (There are "no cardholders" at Interior in the purchase and fleet card programs.) In addition, fleet card dollars are also zero at Interior in the FY 2001 data, but there are substantial purchase card dollars. On the other hand, it would also be misleading to add up the number of cards for a total of all three programs, because many agencies have not integrated their cards and many employees have more than one card.

Nevertheless, the data tell us something about the relative size of the three programs. The purchase card dollars are more than 2.5 times the travel dollars and more than 27 times the fleet card dollars. The number of fleet transactions rivals the number of purchase transactions, which is considerably exceeded by the number of travel transactions. Thus the average purchase card transaction of $564.05 is more than four times as large as the average travel card transaction of $137.50, and more than 20 times as large as the average fleet card transaction of $27.60.

The rest of this report focuses on purchase cards for two reasons: they comprise the most important program in terms of dollars, and more importantly, they are the charge card program where the buyer has more choice among vendors, as opposed to the travel and fleet card programs.

Summary of Purchase Card Expenditures

Tables 3 and 4 present time series data on the use of Purchase Cards in the entire federal government. The data in Table 3 come from three different sources, as described in the appendix. Table 4 data were compiled by Eagle Eye Publishers.

Table 3. Use of Government Purchase Cards, FY 1989 - FY 2001

FY	Dollars	Transactions	Cards
1989	460,612	2,326	10,489
1990	56,312,535	270,983	18,926
1991	140,735,006	639,389	30,336
1992	275,573,665	1,058,890	44,532
1993	472,103,391	1,512,275	74,591
1994	808,473,245	2,471,308	82,804
1995	1,591,773,703	4,248,496	130,350
1996	2,914,368,604	7,327,878	209,295
1997	4,945,523,006	11,408,158	264,505
1998	7,960,818,860	16,447,721	340,078
1999	10,187,006,498	20,631,398	517,591
2000	12,288,744,026	23,457,456	670,374
2001	13,787,668,676	24,443,850	406,290

Table 4. Percent Change in Purchase Card Use from Previous Year

FY	Dollars	Transactions	Cards
1989	NA	NA	NA
1990	12,125.59	11,550.17	80.44
1991	149.92	135.95	60.29
1992	95.81	65.61	46.80
1993	71.32	42.82	67.50
1994	71.25	63.42	11.01
1995	96.89	71.91	57.42
1996	83.09	72.48	60.56
1997	69.69	55.68	26.38
1998	60.97	44.18	28.57
1999	27.96	25.44	52.20
2000	20.63	13.70	29.52
2001	12.20	4.21	-39.39

Table 5. Per Transaction and Per Card Usage Summary

FY	$ / Transaction	$ Per Card	Transactions per Card
1989	198.03	43.91	0.22
1990	207.81	2,975.41	14.32
1991	220.11	4,639.21	21.08
1992	260.25	6,188.22	23.78
1993	312.18	6,329.23	20.27
1994	327.14	9,763.70	29.85
1995	374.67	12,211.54	32.59
1996	397.71	13,924.69	35.01
1997	433.51	18,697.28	43.13
1998	484.01	23,408.80	48.36
1999	493.76	19,681.58	39.86
2000	523.87	18,331.18	34.99
2001	564.05	33,935.54	60.16

Table 6. Percent Change in Per Transaction and Per Card Usage From Previous Year

FY	$ per Transaction	$ per Card	Transactions per card
1990	4.94	6,675.56	6,356.66
1991	5.92	55.92	47.21
1992	18.24	33.39	12.82
1993	19.96	2.28	-14.74
1994	4.79	54.26	47.21
1995	14.53	25.07	9.21
1996	6.15	14.03	7.42
1997	9.00	34.27	23.19
1998	11.65	25.20	12.14
1999	2.02	-15.92	-17.58
2000	6.10	-6.86	-12.21
2001	7.67	85.12	71.94

The data on the number of cards should not be examined too closely, not only as mentioned above but also because the coverage (or over-coverage) varies from year to year. For example, Citibank subtracted the number of closed and cancelled accounts during 2001. Earlier, the Bank of America made some corrections.

Federal Purchase Card (PC) usage in FY 2001 continued on an upward trend in both dollars and transactions. Total PC dollars were up 12 percent to almost $14 billion. Transactions were up 4 percent to over 24 million. The size of each PC transaction climbed 8 percent to $564, indicating cards were being used for more expensive purchases.

The rate of annual growth in total PC dollars has slowed considerably. The initial explosive growth slowed year-by-year and then rose to another peak of 97 percent in FY 1995. Since then annual dollar growth slowed to 12 percent in FY 2001. Growth in numbers of transactions showed a similar fall off after initial explosive growth and another peak of 72 percent in FY 1996, dropping 94 percent since then and over two-thirds in the last year alone. But as dollar and transaction growth abates, the growth in dollars per transaction has accelerated since FY 1999, after having had an irregular growth rate before then.

Table 7 compares PC dollars with dollars reported on SF 281 (for actions of $25,000 and less) and dollars reported on SF 279 (for actions over $25,000), from the GSA's Federal Procurement Data System.

Table 7. Total Government Procurement ($000)

FY	Purchase Cards	SF 281	PC + SF 281	SF 279
1989	461	NA	NA	NA
1990	56,313	NA	NA	NA
1991	140,735	21,086,837	21,227,572	189,602,220
1992	275,574	22,020,118	22,295,692	177,786,381
1993	472,103	22,079,222	22,551,325	178,336,979
1994	808,473	21,721,303	22,529,776	174,687,951
1995	1,591,774	21,449,638	23,041,412	180,851,975
1996	2,914,369	18,971,206	21,885,575	178,607,943
1997	4,945,523	17,218,902	22,164,425	172,720,914
1998	7,960,819	16,383,661	24,344,480	180,914,794
1999	10,187,006	15,631,940	25,818,946	183,119,003
2000	12,288,744	15,337,450	27,626,194	203,613,296
2001	13,787,669	19,217,539	33,005,208	214,253,330

Table 8: Purchase Cards As a Percent of:

FY	PC	SF 281	PC + SF 281	SF 279
1989	100	NA	NA	NA
1990	100	NA	NA	NA
1991	100	0.67	0.66	0.07
1992	100	1.25	1.24	0.16
1993	100	2.14	2.09	0.26
1994	100	3.72	3.59	0.46
1995	100	7.42	6.91	0.88
1996	100	15.36	13.32	1.63
1997	100	28.72	22.31	2.86
1998	100	48.59	32.70	4.40
1999	100	65.17	39.46	5.56
2000	100	80.12	44.48	6.04
2001	100	71.75	41.77	6.44

Purchase Card dollars now constitute over 41 percent of all the procurement dollars not reported on the SF 279 form, and have reached 5.58 percent of total procurement dollars. PC dollars have grown 98 times from FY 1991 to FY 2001, while SF 279 dollars have grown 13 percent during the same period. SF 281 dollars have fallen 9 percent, suggesting strongly that many PC dollars have come at the expense of dollars that would have been reported on SF 281 forms. This is further analyzed in a shift-share analysis in Table 9:

Table 9. Shift-Share Analysis, FY 1991 and FY 2001 ($000)

	FY 1991	FY 2001	Avg Annual % Growth
PC Dollars	140,735	13,787,669	58.16
SF 281	21,086,837	19,217,539	-0.92
Subtotal	21,227,572	33,005,208	4.51
SF 279	189,602,220	214,253,330	1.23
Grand Total	210,829,792	247,258,538	1.61

	% of FY 1991 Total	FY 01 with FY91 Share	FY 01 Less FY 01 With FY 91 Shares
PC Dollars	0.07	165,052	13,622,617
SF 281	10.00	24,730,378	(5,512,839)
Subtotal	10.07	24,895,430	8,109,778
SF 279	89.93	222,363,108	(8,109,778)
Grand Total	100.00	247,258,538	0

Total procurement grew at an average annual rate of 1.61 percent between FY 1991 and FY 2001. Historically, SF 279 dollars grow somewhat faster than total procurement because inflation causes some purchases under $25,000 to grow past the $25,000 reporting threshold. However, figures in Table 9 indicate that SF 279 dollars grew more slowly than procurement as a whole, indicating a diversion of purchases from SF 279 to PCs. This was in addition to the diversion of dollars from SF 281 to PCs.

The lower half of Table 9 compares the two diversions. It shows that PC dollars in FY 2001 were $13.6 billion more than they would have been if PC dollars had remained the same percentage of total procurement in FY 2001 that they had been in FY 1991. SF 281 dollars were $5.5 billion less and SF 279 dollars were $8.1 billion less than they would have been if FY 1991 shares had continued to hold. This means that 40 percent of the shift toward higher PC dollars can be explained by a diversion of dollars from the SF 281. The remaining 60 percent can be explained by a diversion of dollars from SF 279 dollars.

Impact of Purchase Card Usage on Small Business

What does this mean for small business? Table 10 shows the small business shares of the various kinds of procurement in FY 1991 and FY 2001:

Table 10. Small Business Shares, FY 1991 and FY 2001 ($000)

	Small Bus $	All Dollars	Small Bus %
FY 1991 SF 281	10,813,573	21,086,837	51.28
FY 1991 SF 279	29,575,350	189,602,220	15.60
Total	**40,388,923**	**210,689,057**	**19.17**
FY 2001 SF 281	7,091,100	19,217,539	36.90
FY 2001 SF 279	42,743,837	214,253,330	19.95
Total	**49,834,937**	**233,470,869**	**21.35**

In FY 1991 small businesses received 51.28 percent of all SF 281 dollars and 15.60 percent of all SF 279 dollars. Applying these percentages to the dollars diverted to PC purchases in FY 2001, small businesses should have received $4.092 billion in PC dollars if the government made PC purchases with small businesses in percentages comparable to their SF 281 and SF 279 purchases. This constituted 30.04 percent of all the dollars diverted to purchase cards. This is a conservative estimate, because the SF 279 dollars shifted to purchase cards were presumably among the smaller SF 279 contracts, where the small business percentage would be greater. This means that if small businesses are receiving less than 30 percent of the dollars on PC usage they are relatively less well off than they would be with comparable SF 281 and SF 279 dollars.

Recently Released Partial Spending Data from GSA

Preliminary data for PC usage during FY 2001 were received from the Federal Supply Service on 13 February 2002. These data, supplied in a draft report, cover only 39 percent of the PC dollars and 67 percent of the transactions reported in Table 3. The data are given in Table 11 by detailed performer:

Table 11. Partial Purchase Card Usage, FY 2001

	Dollars	Transactions	Merchants
Totals			
All known	5,396,997,131	16,491,761	1,140,848
Large Business	2,028,846,100	7,517,171	313,852
Small Business	2,679,157,612	7,394,299	698,028
Women Owned	306,051,921	761,892	57,644
Minority Owned	179,596,069	414,285	33,151
Veteran Owned SB	88,073,790	256,362	24,991
Disabled Vet SB	43,027,553	16,839	5,944
S Disadvantaged B	38,530,822	70,717	3,617
SBA 8(a)	30,392,162	53,064	3,134
HUB Zone SB	3,321,102	7,132	487
Percentages			
All known	100.00	100.00	100.00

Large Business	37.59	45.58	27.51
Small Business	49.64	44.84	61.19
Women Owned	5.67	4.62	5.05
Minority Owned	3.33	2.51	2.91
Veteran Owned SB	1.63	1.55	2.19
Disabled Vet SB	0.80	0.10	0.52
S Disadvantaged B	0.71	0.43	0.32
SBA 8(a)	0.56	0.32	0.27
HUB Zone SB	0.06	0.04	0.04

Ratios	**$ per Transaction**	**$ per Merchant**	**Trans per Merchant**
All known	327.25	4,730.69	14.46
Large Business	269.89	6,464.34	23.95
Small Business	362.33	3,838.18	10.59
Women Owned	401.70	5,309.35	13.22
Minority Owned	433.51	5,417.52	12.50
Veteran Owned SB	343.55	3,524.22	10.26
Disabled Vet SB	2,555.23	7,238.82	2.83
S Disadvantaged B	544.86	10,652.70	19.55
SBA 8(a)	572.75	9,697.56	16.93
HUB Zone SB	465.66	6,819.51	14.64

According to GSA's partial data, small businesses receive nearly one-half of all purchase card buys, with women-owned businesses receiving 5.6% and minority-owned businesses receiving just 3.3%. These partially reported trends contradict the more systematically disclosed NASA data. We await the delivery of more systematically disclosed data from the GSA.

Recently Released NASA Purchase Card Data

In response to Eagle Eye's September 2001 FOIA request, NASA was the only agency to offer systematically reported socioeconomic purchase card data. The breakdown of these data is given in Table 12:

Table 12. Breakdown of NASA's Reported Purchase Card Dollars FY 2000 - FY 2001

	FY 2000	**FY 2001**
Total NASA Purchase Card $	**78,714,287.44**	**81,570,288.75**
Small Business Enterprise $	13,157,464.79	12,821,206.62
Large Business & Other $	65,556,822.65	68,749,082.13
Small Business Enterprise %	**16.72%**	**15.72%**
SBE PC Transactions	22,983	22,647
Average SBE Transaction Value	**572.49**	**566.13**
Large Business PC Transactions	131,444	133,073
Average LB PC Transaction Value	**498.74**	**516.63**

Small Disadvantaged Business $	1,155,009.58	723,087.33
Small Disadvantaged Business %	**1.47%**	**0.89%**
SDB PC Transactions	1,835	1,330
Average SDB PC Transaction Value	**629.43**	**543.67**
Woman-Owned Business $	5,011,266.79	4,402,794.13
Woman-Owned Business %	**6.37%**	**5.40%**
WOB PC Transactions	9,133	8,481
Average WOB PC Transaction Value	**548.70**	**519.14**
Minority-Owned Business $	2,997,406.98	1,970,182.01
Minority-Owned Business %	**3.81%**	**2.42%**
MBE PC Transactions	4,114	3,147
Average MBE PC Transaction Value	**728.59**	**626.05**
Disabled Veteran-Owned Bus $	110,938.43	102,972.98
Disabled Veteran-Owned Bus %	**0.14%**	**0.13%**
Disabled Veteran PC Transactions	209	200
Average DVET PC Transaction Value	**530.81**	**514.86**

Source: Data supplied by NASA Langley Research Center FOIA Office on February 26, 2002 in response to Eagle Eye FOIA request issued September 24, 2001.

These data cover 94 percent of NASA's reported purchase card dollars in FY 2000 and 93 percent in FY 2001. They cover 97 percent of the purchase card transactions in FY 2000 and 89 percent in FY 2001. With these data we can perform a shift-share analysis as we did for the government as a whole. This analysis is shown in Table 13:

Table 13. NASA Shift-Share Analysis, FY 1993 and FY 2000

	FY 1993	FY 2000	Avg Annual % Growth
PC Dollars	7,804	83,639	40.33
SF 281	222,456	154,174	(5.10)
Subtotal	230,260	237,813	0.46
SF 279	11,804,692	10,912,591	(1.12)
Grand Total	12,034,952	11,150,404	(1.08)

	% of FY 1993 Total	FY 00 with FY93 Share	FY 00 Less FY 00 With FY 93 Shares
PC Dollars	0.06	7,230	76,409
SF 281	1.85	206,106	(51,932)
Subtotal	1.91	213,336	24,477
SF 279	98.09	10,937,068	(24,477)
Grand Total	100.00	11,150,404	0

Total procurement declined at an average annual rate of 1.08 percent between FY 1993 and FY 2000. Historically, SF 279 dollars grow somewhat faster than total procurement because inflation causes some purchases under $25,000 to grow past the $25,000 reporting threshold. However, figures in Table 13 indicate that SF 279 dollars declined a little more rapidly than procurement as a whole, indicating a diversion of purchases from SF 279 to PCs. This was in addition to the diversion of dollars from SF 281 to PCs.

The lower half of Table 13 compares the two diversions. It shows that PC dollars in FY 2000 were $76 million more than they would have been if PC dollars had remained the same percentage of total procurement in FY 2000 that they had been in FY 1993. SF 281 dollars were $52 million less and SF 279 dollars were $24 million less than they would have been if FY 1993 shares had continued to hold. This means that 68 percent of the shift toward higher PC dollars can be explained by a diversion of dollars from the SF 281. The remaining 32 percent can be explained by a diversion of dollars from SF 279 dollars.

Table 14. NASA Small Business Shares, FY 93 and FY 00 ($000)

	Small Bus $	All Dollars	Small Bus %
FY 1993 SF 281	135,230	222,456	60.79
FY 1993 SF 279	923,695	11,804,692	7.82
Total	**1,058,925**	**12,027,148**	**8.80**
FY 2000 SF 281	86,116	154,174	55.86
FY 2000 SF 279	1,358,117	10,912,591	12.45
Total	**1,444,233**	**11,066,765**	**13.05**

In FY 1993 small businesses received 60.79 percent of all SF 281 dollars and 7.82 percent of all SF 279 dollars. Applying these percentages to the dollars diverted to PC purchases in FY 2000, small businesses should have received $33.485 million in PC dollars if the government made PC purchases with small businesses in percentages comparable to their SF 281 and SF 279 purchases. This constituted 43.82 percent of all the dollars diverted to purchase cards. This is a conservative estimate, because the SF 279 dollars shifted to purchase cards were presumably among the smaller SF 279 contracts, where the small business percentage would be greater. This means that if small businesses are receiving less than 43.82 percent of the dollars in PC usage they are relatively less well off than they would be with comparable SF 281 and SF 279 dollars. In actuality they were receiving 16.72 percent of purchase card dollars in FY 2000, or 38 percent of the share they should have been getting.

NASA's data show that they are unfortunately not meeting existing rules for setting aside government purchases between $2,500 and $100,000 to small businesses. Of the $24.7 million in individual NASA buys between FY 1999 and FY 2001 totaling between $2,500 and $100,000, only $3.9 million, or 16 percent, went to small firms.

IV. Conclusions

The only systematically disclosed socioeconomic purchase card data currently available show that the small business share of purchase card spending is significantly lower than the small business share of small purchase (SF 281) and prime contract (SF 279 and DD 350) spending. No systematically reported data is currently available about small and minority-owned business shares of government-wide purchase card expenditures.

Data for FY 1999 – FY 2001 NASA Purchase Card activity show the small business share of overall NASA credit card purchases is a 15%. Additionally, NASA employees spent a total of $24.7 million between FY 1999 and FY 2001 on individual purchases valued between $2,500 and $100,000, but just $3.9 million of that, or 16.2%, went to small firms. According to current procurement practice, all of these dollars should have been set aside for small firms.

NASA's data show that existing rules for setting aside government purchases between $2,500 and $100,000 to small businesses are unfortunately not being met. Of the $24.7 million in individual NASA buys between FY 1999 and FY 2001 totaling between $2,500 and $100,000, only $3.9 million, or 16 percent, went to small firms. Having said that, it is important to note that NASA was the only agency willing to cooperate with this study; that hopefully bodes well for small business interests in their future transactions.

NASA's data also show that existing rules for setting aside government purchases between $2,500 and $100,000 to small businesses are being regularly violated. Of the $24.7 million in individual NASA buys between FY 1999 and FY 2001 totaling between $2,500 and $100,000, only $3.9 million, or 16 percent, went to small firms.

Incomplete data disclosed by the U.S. General Services Administration indicate that as much as 50% of the dollars on purchase card buys may be going to small firms. It is difficult to interpret this data because it covers only 39 percent of the PC dollars and 67 percent of the transactions that occurred in FY 2001.

In FY 1991 small businesses received 51.28 percent of all SF 281 dollars and 15.60 percent of all SF 279 dollars. Applying these percentages to the dollars diverted to PC purchases in FY 2001, small businesses should have received $4.092 billion in PC dollars if the government made PC purchases with small businesses in percentages comparable to their SF 281 and SF 279 purchases. This constituted 30.04 percent of all the dollars diverted to purchase cards. This means that if small businesses are receiving less than 30 percent of the dollars on PC usage they are relatively less well off than they would be with comparable SF 281 and SF 279 dollars.

These and other kinds of determinations can only be made if more socioeconomic company information is disclosed as part of a purchase card transaction. To generate the information needed to promote sound small business policy reform, the SBA and other federal agencies should focus on how socioeconomic purchase card data can be generated without reducing hard-won government efficiencies and without violating proprietary banking relationships.

APPENDIX A: Data Processing Methodologies

Constructing a time series on the growing size of the Purchase Card program turned out to be a surprisingly complicated exercise. This appendix describes the choices that were made between competing sets of data and the reasons for these choices. The appendix is included so that future researchers can replicate the data in this report. The appendix also gives the reader some appreciation of the nature of the data.

We found four GSA sources of data. Two of these sources did not involve the same years, so they did not disagree. But each of them disagreed some of the time with each of the other two sources. And the latter sources disagreed some of the time with each other. As there was usually no clear-cut way to choose among these competitors, a number of Decision Rules were adopted in descending order of priority:

1. Where it can be demonstrated that one set of data is of better quality, choose it.

2. Otherwise, choose the data that produce the more meaningful comparisons with other data.

3. Otherwise, minimize the year-to-year shifts in data sources, making year-to-year comparisons more meaningful.

4. Otherwise, choose the data that are not the first or the last years of a data set, because of the possibility that the first or the last years will be incomplete.

5. Otherwise, use the larger numbers, on the grounds that the smaller numbers would be less complete.

6. Otherwise, choose the data that have more detail, even though the detail is not used for this report, on the grounds that detailed data are a little more likely to be accurate.

The oldest data are available in a corner of the GSA web site.[3] A file in Word is titled "Purchase Fiscal Year Growth" and is denoted here by the letter "G" for "Growth". These data cover the fiscal years 1989 - 1999. Four Excel files in the same corner of the web site cover the fiscal years 1999 - 2002 respectively. These data are available by agency and by month. In addition to the fiscal year, the title of each of these files includes the words "Sales, Transaction and Cardholder Data" and are denoted here by "D" for "Data". In another corner[4] of the same web site can be found Amendment 2 to the solicitation for the master credit card contract. This Amendment is dated 1 October 1997 and presumably reflects data that were available as of that date.[5] Attachment 2 to this amendment is an Excel file that is a revision of Exhibit 4 of the solicitation and contains data for fiscal years 1994 - 1997. These data are also available by agency and by month, and are denoted here by the letter "A" for "Amendment". Finally, there

[3] http::://www.gsa.gov/Portal/content/pubs_content.jsp?contentOID=119195&contentType=1008, downloaded 11 March 2002

[4] http://www.gsa.gov/Portal/content/pubs_content.jsp?contentOID=119586&contentType=1008, downloaded 1 March 2002.

[5] Most if not all of the approximately 30 files that were examined on this web site have a "last modified" date that only indicates when the file was last examined, since a "last modified" date in 2001 can be found on files that were clearly not modified that late, such as the solicitation and its amendments of 1997.

are data in the annual Federal Procurement Reports beginning in FY 1993 and are available by agency. These hard copy reports are produced by the Federal Procurement Data Center, a part of GSA that also reports to the Office of Federal Procurement Policy in OMB. The purchase card data comprise one page in the reports; this page is annotated to indicate that the data have been prepared by the Federal Supply Service. We denote these data by the letter "R" for "Report".

For the first four fiscal years, 1989 - 1992, there is only one source of data, which is G. In the next year, FY 1993, there is an additional source, R, and immediately there is disagreement. R has more sales and transactions than G, but has no information on the number of cardholders, which G does have.[6] The differences are not consistent: R has $40,026 more in sales and 49,915 more transactions, for only 80 cents per extra transaction. R thus has too few dollars or too many transactions, or G has too few transactions or too many dollars. Possibly all four things are wrong. But we have to choose R or G. Using R for sales and transactions might be more inclusive (Decision Rule 5), but might give misleadingly high ratios of sales per cardholder and transactions per cardholder, when combined with the number of cardholders from G (Decision Rule 2). Also, it will be seen that R is not an option in the next year, producing year-to-year discontinuities in sources if it were chosen (Decision Rule 3). Consequently, we chose G for FY 1993.

Source A becomes available in FY 1994, in addition to sources G and R. Source R has to be discarded because transactions are much lower than A and G (1.7 million vs. 2.4 million and 2.5 million, respectively). Of course A and G could be wrong, but R is also not internally consistent: dollars per transaction in R rose from $302 in FY 1993 to $484 in FY 1994 and then back down to $375 in FY 1995. Using Decision Rule 1, we put aside R, leaving A and G, which are very close on cardholders: a difference of only three. But A has almost $300 thousand more in sales and G has almost 23 thousand more transactions. Looking ahead again, next year we will choose R for other reasons. If we chose A for FY 1994, we would be going from a string of G's to A to R. Using Decision Rule 3, we picked G for FY 1994, resulting in G for FY 1989 through FY 1994 before a transition to R in FY 1995.

FY 1995 is relatively easy. All three sources are in agreement except that A and G have three more cardholders than R. Here the agency detail is revealing. In A there is a second entry for "Resolution Trust" with three cardholders but no transactions and no dollars. This second entry has been eliminated in R. We decided to go with R, using Decision Rule 1.

FY 1996 was a good year: all three sources agree! We designate R as the source, for continuity into the future (Decision Rule 3).

FY 1997 is the last year for source A, and we put it aside because the monthly detail shows that it is only available for ten months. This leaves G and R, which agree on the number of cardholders. But G has almost $100 million more in dollars and 185 thousand more transactions. Is G double counting or is R incomplete? Without agency detail in G it is impossible to shed any light on this question. We invoke Decision Rules 3 and 6 (overcoming Decision Rule 5) and choose R.

[6] Beginning in the next year, R does include the number of cardholders

FY 1998 is another happy year in that there are only two sources (G and R) and they agree. We designate R as the source for continuity.

Source D becomes available for FY 1999. Both D and R are greater than G for dollars, transactions, and cardholders. As this is the last year for G, it may be that G is not complete for the year, so we put G aside, leaving D and R (Decision Rule 4). D has almost $3 million more than R and almost 4 thousand more transactions. This comes to about $750 per extra transaction, which is on the high side. So the additional dollars in D are a little suspect (Decision Rules 1 and 2). We select R for FY 1999.

FY 2000 is another good year, as was FY 1998 and FY 1996. The two sources, D and R, are in complete agreement. Since we have to transition to D next year anyway, we select D for FY 2000 because of the monthly detail even though we are not using it (Decision Rule 6). FY 2001 and the first three months of FY 2002 are also straightforward, since only D is available as of the writing of this report.

We invoked Decision Rule 1 three times, Rule 2 twice, Rule 3 six times, Rule 4 once, and Rule 6 twice. Decision Rule 5 was invoked twice, but only in instances where it was overruled by a higher Rule.

The data selection is thus as follows: G for FY 1989-1994, R for FY 1995-1999, and D for FY 2000-2002.