



September 13, 2021

The Honorable Jack Reed
Chairman
Senate Committee on Armed Services
Washington, DC 20510

The Honorable James Inhofe
Ranking Member
Senate Committee on Armed Services
Washington, DC 20510

The Honorable Adam Smith
Chairman
House Committee on Armed Services
Washington, DC 20515

The Honorable Mike Rogers
Ranking Member
House Committee on Armed Services
Washington, DC 20515

Dear Chairmen Reed and Smith and Ranking Members Inhofe and Rogers:

As you work to finalize the Fiscal Year 2022 National Defense Authorization Act (NDAA), we encourage you to continue efforts to expand small business participation in the federal procurement process.

Tens of thousands of small businesses provide goods and services each year to the federal government. This helps enable resilient supply chains, competitive markets, and, especially, a vibrant and innovative industrial base that enhances our national security. Three years ago, former Secretary of Defense James Mattis underscored this by pointing out that “a healthy and secure national security innovation base” depends on “new entrants and small-scale vendors [that] can provide cutting-edge technologies.”

Long-term trends, however, are making that national security base less secure, less innovative, and less resilient. In a [report](#) released this past June by the Bipartisan Policy Center, we highlighted two worrying trends. First, since 2010, the number of small businesses serving as federal contractors has declined by 39 percent. Second, and even more concerning, the number of small businesses entering the procurement marketplace as new entrants fell by 79 percent from 2005 to 2019.

It is clear that small business participation in federal procurement is shrinking and the pipeline is narrowing. This threatens the federal government’s ability to access innovative goods and services, especially for national security. The Defense Department accounts for [almost two-thirds](#) of federal procurement spending each year. Fewer small business contractors diminish the marketplace for that spending.

In our report, we made several recommendations that Congress should consider to expand small business participation in federal procurement. Because of the Defense Department’s outsized role in procurement, the NDAA serves as an important vehicle for enhancing small businesses’ overall contracting role. Existing initiatives such as AFWERX have already demonstrated how defense and national security agencies can lead the way in better engaging small businesses and entrepreneurs.

Above all, the federal government needs to make expanded small business procurement participation an overarching objective because of its links to competition, dynamism, and national security. One way to do this is to establish specific annual goals for new small business entrants and the overall volume of small business participation in federal contracting. The existing agency-wide goal—23 percent of procurement dollars must go to small businesses—has been met for seven years in a row. Yet as noted, this has been accompanied by a decline in the number of small businesses serving as contractors. The small business procurement base is dwindling.



More assistance could also be provided to small businesses to make the procurement marketplace more attractive and to ensure that, once in it, they are ready to succeed. Additional assistance could be offered through Procurement Technical Assistance Centers (PTAC). While PTACs are funded and administered through the Defense budget, they support other agencies, too. The helpful role they play in serving the overall procurement marketplace could be augmented.

Lastly, improvements in transparency, accountability, and oversight would go a long way toward supporting small business contractors and economizing the use of taxpayer dollars in procurement. Better data collection and reporting mechanisms are sorely needed. This can be achieved through enhancements to the contractor and subcontractor reporting systems, enforcement of payment timelines, and the addition of more contracting officers.

We strongly encourage you to keep small businesses in mind in the FY 2022 NDAA as well as future authorizations. They are not only a vital piece of the federal procurement process but also key to enhancing the United States' overall national security.

Sincerely,

Michael Kelley
Director
Bipartisan Policy Center Action

Dane Stangler
Director
Bipartisan Policy Center

CC: Majority Leader Charles E. Schumer
Minority Leader Mitch McConnell
Speaker Nancy Pelosi
Minority Leader Kevin McCarthy
Sen. Benjamin Cardin, Chairman, Committee on Small Business and Entrepreneurship
Sen. Rand Paul, Ranking Member, Committee on Small Business and Entrepreneurship
Rep. Nydia Velázquez, Chairwoman, Committee on Small Business
Rep. Blaine Luetkemeyer, Ranking Member, Committee on Small Business