



November 9, 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 the Senate begins consideration of the Fiscal Year 2022 National Defense Authorization Act, and in advance of working through conference to resolve the Senate and House versions, we encourage you to maintain several small business provisions that were adopted with bipartisan support in the House bill.

By expanding small business participation in federal defense procurement—and diversifying the types of small businesses that serve as contractors—these amendments will promote resilient supply chains, competitive markets, and a vibrant industrial base underpinning national security. Specifically, the amendments aligning with BPC recommendations and enjoying bipartisan support would:

- Sec. 861 - Increase governmentwide goals for small business contracting.
- Sec. 864 - Exempt certain contracts to small businesses from category management or successor strategies for contract consolidation.
- Sec. 873 - Raise sole source contracting thresholds for certain small business concerns (8(a), HUBZone, veteran-owned, and women-owned) from current levels to \$10 million for manufacturing contracts and \$8 million for other types.
- Sec. 848 - Require the Department of Defense to submit a report on the effects of the Cybersecurity Maturity Model Certification on small businesses.

These provisions align with a Bipartisan Policy Center [report](#) released this past June. Together with Goldman Sachs *10,000 Small Businesses Voices*, we conferred widely with small business contractors about their experiences working with the federal government, including the Department of Defense.

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, threaten to make that national security base less secure, less innovative, and less resilient. Our June report highlighted two worrying trends. First, since 2010, the number of small businesses serving as federal contractors has declined by 39%. Second, and even more concerning, the number of small businesses entering the procurement marketplace as new entrants fell by 79% from 2005 to 2019.



Small business participation in federal procurement is shrinking and the pipeline is narrowing. This erodes 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. A diminishing base of small business contractors reduces the efficacy and impact of that spending.

The proposed bipartisan amendments would make progress in addressing these deleterious trends.

As you look forward to FY 2023, the Committees can build on these steps and continue to focus on expanding small business participation in federal procurement. They are vital piece to national security and the ability of the Department of Defense to carry out its mission.

Sincerely,

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
 Elizabeth King, Majority Staff Director, Senate Committee on Armed Services
 John Wason, Minority Staff Director, Senate Committee on Armed Services
 Paul Arcangeli, Majority Staff Director, House Committee on Armed Services
 Chris Vieson, Minority Staff Director, House Committee on Armed Services