

Minority Views

H.R. 7988, Small Business Procurement and Utilization Reform (SPUR) Act

The Small Business Administration (SBA) is tasked with ensuring that small businesses are awarded a “fair proportion of the total purchases and contracts for goods and services of the Government in each industry category....” In accordance with this mandate, Congress has imposed a governmentwide goal of awarding at least 23% of all small business eligible Federal prime contracting dollars to small businesses, and provides SBA and federal agencies with certain authorities to help create a level playing field for small businesses to compete in the federal marketplace.

Each agency works to meet both the topline, total small business goal of 23% and additional goals for each of the socio-economic categories: women-owned small businesses (WOSB); small, disadvantaged businesses (SDB); and service-disabled veteran-owned small businesses (SDVOSB); and HUBZone certified small businesses. SBA publishes an annual Small Business Procurement Scorecard that grades each agency on their spending toward the goals and other, weighted criteria. Agencies are annually assigned a “score” for their performance toward the goals for the previous fiscal year.

Each agency’s score consists of its achievements in four areas, and each area is weighted by the percentage shown below:

- Prime contracting dollars: 50% of scorecard grade.
- Subcontracting dollars: 20% of scorecard grade.
- OSDBU compliance requirements: 20% of scorecard grade.
- Number of small business prime contractors: 10% of scorecard grade.¹

SBA’s FY22 scorecard showed that the federal government awarded 26.5% of federal contract dollars to small businesses, a total of \$162.9 billion.² At the same time that the amount of prime contract dollars awarded to small businesses has reached record highs, the number of small businesses in the industrial base has declined dramatically. The data show that the federal government is not retaining current small business government contractors, and new small businesses are not choosing to enter the federal market. The federal government has documented a roughly 40% decrease in the number of small businesses receiving prime contract awards over the past decade.

At the Department of Defense, GAO finds that “contract obligations to small businesses increased from fiscal years 2011 to 2020, while the number of small businesses contracting with DOD declined.”³ Over a ten-year period, the number of small businesses participating in the

¹ The Small Business Administration, *Fiscal Year 2022 Contracting scorecard grading methodology*: <https://www.sba.gov/document/support-small-business-procurement-scorecard-overview#scorecard-versions>.

² U.S. Small Bus. Admin, *FY 2022 Governmentwide Small Business Procurement Scorecard*, <https://www.sba.gov/agency-scorecards/scorecard.html?agency=GW&year=2022>.

³ U.S. Government Accountability Office (GAO) Report No. GAO-22-104621 “Small Business Contracting: Actions Needed to Implement and Monitor DoD’s Small Business Strategy” (October 2021): <https://www.gao.gov/products/gao-22-104621>.

defense industrial base declined by over 40 percent. The civilian agencies are seeing a similar decline. An administration analysis of Federal Procurement Data System data found a loss of 49,000 small businesses (or 38% of small businesses) in the Federal supplier base since 2010.⁴

As a result, questions have been raised about how to accurately measure the health of the industrial base, and the scorecard's weighted priority on prime contract dollars. The scorecard's criteria includes a year-over-year prime contract comparison goal, yet that is weighted at 10% and counts the award of a contract, not the award of a contract *for the first time*.

This bill is intended to measure and include in the SBA's methodology for calculating an agency's score for small business goals, the number of small businesses who are becoming federal government contractors for the first time.



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⁴ Office of Management and Budget Memorandum “*Advancing Equity in Federal Procurement*,” (M-22-03). December 2, 2021: <https://www.whitehouse.gov/wp-content/uploads/2021/12/M-22-03.pdf>.