

Congress of the United States
U.S. House of Representatives
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515-6515

MEMORANDUM

TO: Members of the Subcommittee on Contracting and Infrastructure

FROM: Committee Majority Staff

DATE: February 9, 2024

RE: Subcommittee Hearing Titled: “Leveling the Playing Field: Challenges Facing Small Business Contracting”

On **Thursday, February 15, 2024, at 10:00 AM ET**, the Subcommittee on Contracting and Infrastructure will hold a hearing titled “**Leveling the Playing Field: Challenges Facing Small Business Contracting**.” The meeting will convene in room 2360 of the Rayburn House Office Building. The purpose of this hearing is to identify the challenges experienced by small businesses in government contracting and potential solutions to those issues.

I. Witnesses

- **Mr. Joe Spinosa**, Vice Chair, ADDAPT
- **Mr. Joel Lipsky**, President, Lipsky Construction
- **Mr. Bob Taylor**, Owner and CEO, Alliant Healthcare

II. Background

Over the last 10 years, the number of small businesses receiving contracts from the federal government has decreased by nearly 50 percent.¹ In 2021, 27.2 percent of contracts went to small businesses, while in 2022, only 26.5 percent of contracts were issued to small businesses.² Small businesses working with the federal government must navigate agency specific requirements and government regulations just to compete for contracts. These regulatory burdens present barriers for small businesses entering the federal marketplace.³

¹ Jory Heckman, *SBA Seeks to Grow Shrinking Pool of Small Businesses Getting Federal Contracts*, FED. NEWS NETWORK (May 8, 2023).

² *SBA Government-Wide FY2022 Small Business Procurement Scorecard*, U.S. SMALL BUS. ADMIN. (last visited Feb. 1, 2024).

³ *Supporting Small Business and Strengthening the Economy Through Procurement Reform*, BIPARTISAN POL. CEN., 3 (Jul. 2021).

The federal government has certain small business contracting goals, yet agencies regularly fall short. In 2022, the Department of Defense (DoD), Department of Health and Human Services, Department of Treasury, and the Department of Veterans Affairs all failed to meet their small business contracting goals. Together these agencies represent over 70 percent of contract spending annually.⁴

A contributing factor to the decline in small businesses contracting is the complexity of the federal acquisition system. This system is cumbersome, slow, and difficult for small businesses to understand. Over 50 percent of small businesses have stated they do not pursue government contracts because it is too time consuming to compete for a contract with no guarantee of success.⁵ Additionally, many small businesses are not even aware of the contracting opportunities available to them and feel that small businesses are not adequately prioritized in federal contracting.⁶

Certain government practices have undermined small business' ability to compete fairly for contracts. The increase in the use of bundled and category managed contracts have negatively impacted small businesses, as these contracts favor larger, more diversified companies.⁷ Additionally, self-certification has undermined numerous small businesses contracting programs and allowed large entities to fraudulently take contracts intended for small businesses.⁸

Lastly, given rising global tensions, it is important to note that small business contracting is an essential part of America's strategic defense efforts. Small businesses offer a high degree of agility and ingenuity, resulting in small businesses producing 16.5 times more patents than large firms, and providing valuable research and development for the DoD.⁹ Despite the creative edge that small businesses offer, over the last ten years, the number of small businesses in the defense industrial base decreased by 40 percent.¹⁰

III. Conclusion

Small businesses are an important part of the American economy and the federal acquisition system. It is in the best interests of the U.S. to ensure a robust network of small businesses capable of tackling various issues the country may face. This hearing will examine the causes behind why small businesses are struggling to compete for federal contracts and explore some potential solutions.

⁴ Agency Profiles, USA Spending (Last Visited Feb. 1, 2024).

⁵ *Supporting Small Business and Strengthening the Economy Through Procurement Reform*, BIPARTISAN POL. CEN., 3 (Jul. 2021).

⁶ *Supporting Small Business and Strengthening the Economy Through Procurement Reform*, BIPARTISAN POL. CEN., 3 (Jul. 2021).

⁷ U.S. SMALL BUS. ADMIN., FY2020 CONTRACT BUNDLING REPORT TO CONGRESS (Jan. 26, 2022).

⁸ Press Release, U.S. Dept. of Justice, Government Contractor Agrees to Pay Record \$48.5 Million to Resolve Claims Related to Fraudulent Procurement of Small Business Contracts Intended for Service-Disabled Veterans (Feb. 23, 2022).

⁹ U.S. DEP'T OF DEFENSE, STATE OF COMPETITION WITHIN THE DEFENSE INDUSTRIAL BASE, 14 (Feb. 2022).

¹⁰ U.S. DEP'T OF DEFENSE, STATE OF COMPETITION WITHIN THE DEFENSE INDUSTRIAL BASE, 14 (Feb. 2022).