

**WRITTEN STATEMENT FOR THE RECORD****U.S. HOUSE COMMITTEE ON SMALL BUSINESS CONTRACTING AND  
INFRASTRUCTURE SUBCOMMITTEE****“LEVELING THE PLAYING FIELD: FOSTERING OPPORTUNITIES FOR SMALL  
BUSINESS CONTRACTORS”**

September 10, 2025

Imani Augustus

Director, Center for Entrepreneurial Opportunity

Dear Chair LaLota, Ranking Member Cisneros, and members of the Committee:

The Center for Entrepreneurial Opportunity is a national partnership between Third Way, a leading think tank committed to modern policy solutions, and the National Urban League, a historic advocacy organization focused on economic empowerment for underserved communities. Together, we champion federal policies that dramatically increase entrepreneurial opportunity and help more Americans start and expand successful businesses.

Federal contracting supports over \$600 billion in annual government spending, but small businesses remain significantly underrepresented among recipients of federal contracts. Despite critical contributions to innovation and local economies, fewer than one in five federal contracting dollars reaches a small firm, and participation rates for minority- and women-owned businesses continue to lag. In Fiscal Year 2024, \$174.9 billion in federal contracting dollars went to small businesses (28% of total awards).<sup>1</sup> Of that amount, less than 5% went to Black, Hispanic, or Asian businesses despite their significant gains in business ownership in recent years.

Recognizing these disparities, the Small Business Administration and the Federal Acquisition Regulation established policies designed to level the playing field for small businesses in government procurement. The Rule of Two requires agencies to set aside contracts for small businesses when market research shows at least two small firms can deliver at fair prices. The non-statutory rule currently applies to standalone contracts above the simplified acquisition threshold but could have even greater impact if applied to larger multiple-award contracting vehicles. The Small Business Administration has already sought to implement this change as recommended by the Office of Federal Procurement Policy.<sup>2</sup>

Ranking Member Velázquez has introduced H.R. 2804, the “Protecting Small Business Competitions Act”, a bill to formally codify the Rule of Two with a vital change: the bill would extend the Rule of Two to “task and delivery orders” under multiple-award contracts. The bill would ensure small businesses have access not only to standalone contracts but also to billions of dollars in orders issued under agency-wide contracting vehicles.<sup>3</sup> This closes a key loophole, preventing agencies from bypassing small business set-aside opportunities when using these contracting structures.

We support passage of H.R. 2804 as an approach to ensuring small firms have a fair opportunity to enter, compete, and succeed within the federal procurement landscape. The Rule of Two is

essential to federal efforts to meet and exceed statutory small business contracting goals. As Chairman LaLota noted in a small business committee hearing last year, “over the last decade, the number of small businesses receiving federal contracts has dropped in half, and the number of new small businesses entering the federal contracting space declined by almost 60%”.<sup>4</sup> By reserving opportunities for small firms when two or more are qualified, the Rule prevents market consolidation among larger enterprises and sustains a broad, vibrant base of small business suppliers.

Furthermore, codifying and expanding the Rule of Two uniquely benefits small, disadvantaged firms. The process triggers contracting officers to consider set-asides for the 8(a) Business Development Program, the HUBZone Program, Service-Disabled Veteran-Owned Small Businesses, and Women-Owned Small Businesses—providing underrepresented entrepreneurs a pathway into federal contracting. These programs increase competition, spark innovation, and build wealth in historically disadvantaged communities.

The Center for Entrepreneurial Opportunity appreciates the Committee’s leadership in holding this important hearing. We urge the Committee to adopt H.R. 2804 to securely codify and expand the Rule of Two, ensuring that federal contracting remains an engine for inclusive economic development, resilience, and American innovation.

Sincerely,



Imani Augustus

Director

Center for Entrepreneurial Opportunity

Third Way

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<sup>1</sup> U.S. Small Business Administration. “FY 2024 Disaggregated Data.” SBA.gov, <https://www.sba.gov/federal-contracting/contracting-data/disaggregated-data/fy-2024-disaggregated-data>. Accessed 8 Sept. 2025.

<sup>2</sup> “Small Business Contracting: Increasing Small Business Participation on Multiple Award Contracts.” Federal Register, 25 Oct. 2024, <https://www.federalregister.gov/documents/2024/10/25/2024-24716/small-business-contracting-increasing-small-business-participation-on-multiple-award-contracts>. Accessed 8 Sept. 2025.

<sup>3</sup> United States, Congress, House. Protecting Small Business Competitions Act of 2025. Congress.gov, <https://www.congress.gov/bill/119th-congress/house-bill/2804>. 119th Congress, House Bill 2804, introduced 2025.

<sup>4</sup> “LaLota: 'Leveling the Playing Field: Challenges Facing Small Business Contracting'." *House Small Business Committee*, 15 Feb. 2024, <https://smallbusiness.house.gov/news/documentsingle.aspx?DocumentID=405886#:~:text=First%2C%20the%20number%20of%20small,entering%20the%20federal%20contracting%20system>. Accessed 8 Sept. 2025